

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JANUARY 25, 2011

Item 1, Report No. 1, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on January 25, 2011.

1 MANUAL CHEQUE/EFT SIGNING THRESHOLD AND PROCESSING PROCEDURES

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance/City Treasurer and the Director of Financial Services, dated January 17, 2011, subject to replacing “\$100,000” in recommendation 1) with “\$50,000”:

Recommendation

The Commissioner of Finance/City Treasurer and the Director of Financial Services recommends:

- 1) That the dollar threshold for a manually signed cheque be raised to \$100,000;
- 2) That cheque signing by the second signatory (Council Member) can occur outside of the Finance department under the condition that a Finance staff person delivers the cheque package to the second signatory, remains until the second signature is obtained, and then returns the signed cheques to the Finance Department;
- 3) That cheques to the following organizations relating to statutory financial obligations such as levy transfers, development charges, payroll deductions, pension contributions, etc. be signed digitally:
 - The Regional Municipality of York
 - The York Region School Boards
 - Canada Revenue Agency
 - OMERS (Ontario Municipal Employees Retirement System); and
- 4) That electronic fund transfers (EFT) to the following organizations relating to statutory financial obligations such as levy transfers, development charges, payroll deductions, pension contributions, etc. be authorized by senior finance staff:
 - The Regional Municipality of York
 - The York Region School Boards
 - Canada Revenue Agency
 - OMERS (Ontario Municipal Employees Retirement System)

Contribution to Sustainability

Not Applicable

Economic Impact

There is no economic impact as a result of this report.

Communications Plan

The City’s corporate bank will be notified so that the appropriate banking documentation can be updated.

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Purpose

To provide Council with the background and recommendations relating to the threshold for a manually signed cheque, the procedure for the second signatory (Council member) to attend the Finance department when signing cheques and eliminating the need for a manual signature for statutory payments or transfers to other levels of government for payroll deductions, levy payments, development charges, etc.

Background - Analysis and Options

The current policies relating to signing City cheques/electronic funds transfers (EFT) documents and other cheque signing processes have not been updated for approximately 20 years.

The following areas will be reviewed:

- 1) The dollar threshold requirement for a manually signed cheque or EFT payment.
- 2) The requirement for a Council banking signatory to attend the Finance department when signing cheques.
- 3) The requirement that statutory payments to other levels of government or agencies be subject to the same manual signature threshold.

Following is a review with recommendations that would assist in streamlining the cheque issuance process.

Manual Cheque Signature Threshold

The current limit for a manually signed cheque is \$15,000; this threshold has not changed for approximately 20 years. In that timeframe the City has grown substantially with the annual capital and operating expenditures exceeding \$250 million per annum. This financial activity generates approximately 1400 cheques/EFT documents annually that are over \$15,000 that require two manual signatures.

All cheques require two signatures whether digital or manual, one from finance administration and one from Council. The purpose of manually signing a cheque is to provide an additional level of internal control for those larger payments. It should be noted that existing financial controls when expending taxpayer's funds are in place at many levels prior to a cheque being produced. These controls include the City's procurement policies, purchasing authorization limits, the accounts payable matching, verification and receipting process and as a final step a review process by finance staff for all supporting documentation prior to cheque mailing.

Other Municipal Cheque Signing Practices

To assist in determining an appropriate manual cheque signing limit City staff canvassed four municipalities with similar expenditure and population levels. The range of cheque signing requirements is as follows:

- Two municipalities have all cheques signed digitally.
- One municipality sets the manual cheque limit at \$50,000 but is manually signed by staff only.
- One municipality sets the manual cheque limit at \$25,000 with one digital signature and one manual staff signature.

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Additional Cheque Review Process

It should be noted that all the canvassed municipalities have a final cheque control process where staff provide a further review of the cheque package prior to the cheque being mailed.

Likewise the City as previously mentioned has in place a further review process conducted by finance staff for all cheques packages whether digitally or manually signed prior to the cheque being issued. This process includes but is not limited to a review of the purchasing documentation, receiving documentation and appropriate authorization.

If the threshold for a manual cheque increased to \$100,000 the number of cheques requiring a manual signature would decrease significantly to approximately 400 cheques per annum. This updated dollar threshold does align the City more with other municipalities however the requirement for a Council signature will remain. This change in the threshold provides a good balance between increasing efficiencies and maintaining good internal control.

Therefore it is recommended that current threshold of \$15,000 for a manually signed cheque be increased to \$100,000.

Attending Finance Department

Currently the second signatory from Council (Mayor or Regional Councilor as per the banking signature requirements) is required to attend the Finance department to sign cheques.

In an effort to streamline the cheque production process it is recommended that, in addition to the above, an optional process be permitted. Once the cheques are signed by administration, upon receiving confirmation that the Council signatory is available, a Finance staff person will deliver the cheque package to the second signatory, remain until the second signature is obtained, and then return the signed cheques to the Finance Department.

Statutory Financial Obligations

Statutory financial obligations and fund transfers to other levels of government consist of payroll deductions, pension payments, development charges, tax levy transfers to the Region of York and York Region School Boards, etc. These financial obligations are remitted either by cheque or by an "Electronic Funds Transfer" process and both methods are currently subject to the cheque signing threshold. An EFT is a payment that is processed by the Finance Department electronically using banking software.

These types of financial obligations are mandatory in nature and are governed by statute and the City has no discretion as to whether payment should be made or not. They are paid on a regular basis with strict deadlines as dictated by statute and also come with possible significant penalties if the payment is late. The payment amounts are either determined by other levels of government i.e. levy transfers or internally from either the Payroll Department or the Finance Department.

Based on the above a manual signature does not add any significant control feature to these types of payments. Having the cheques signed digitally and the EFT documents authorized by finance staff would expedite the payment process thereby reducing the risk of a delayed payment and a possible significant penalty charge.

It is recommended that since these are statutory financial obligations relating to payroll deductions, fund transfers to other levels of government, etc. that the cheques be signed digitally or if remitted via an EFT document that senior finance staff authorize the payment to the following organizations:

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- The Regional Municipality of York
- The York Region School Boards
- Canada Revenue Agency
- OMERS (Ontario Municipal Employees Retirement System)

Relationship to Vaughan Vision 2020/Strategic Plan

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 implications as a result of this report.

Conclusion

The City's manual cheque signing threshold has not been changed in twenty years as a result there are now approximately 1400 cheques annually that require two manual signatures. The review of other municipal cheque signing practices has shown that the City's current threshold is low therefore it would be prudent to move the City's manual cheque signing limit threshold to \$100,000. This would reduce significantly the number of cheques requiring a manual signature to approximately 400 thereby streamlining the issuance of the City's cheques.

In an effort to streamline the cheque production process it is recommended that, in addition to the current practice of the second signatory attending the Finance Department to sign cheques, a second option be approved. The second option would permit a Finance staff person to deliver the cheque package to the second signatory, remain until the second signature is obtained, and then return the signed cheques to the Finance Department.

Statutory obligations to other levels of government consisting of payroll deductions, pension payments, development charges, tax levy transfer payments, etc. are time sensitive and statutory in nature, therefore it would be appropriate to have the cheques signed digitally and for an EFT transmissions that staff authorize the payment.

The above changes will provide for a more efficient and timely payment process when meeting the City's financial obligations.

Attachments

Not applicable

Report prepared by:

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Director of Financial Services, ext. 8272

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Item 2, Report No. 1, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on January 25, 2011.

2 **NON TAXATION REVENUE**

The Finance and Administration Committee recommends:

- 1) That the recommendation contained in the following report of the City Manager, dated January 17, 2011, be approved; and**
- 2) That the proposed presentation include ways in which to maintain the appropriate separation of the public and private realms.**

Recommendation

The City Manager, in consultation with the Commissioner of Finance & City Treasurer, Commissioner of Community Services, Commissioner of Legal & Administrative Services, Director of Economic Development, recommend:

1. That the report updating Members of Council regarding non taxation revenue be received and a presentation on the subject be scheduled for a future committee meeting.

Contribution to Sustainability

Green Directions Vaughan embraces a Sustainability First principle and states that sustainability means we make decisions and take actions that ensure a healthy environment, vibrant communities and economic vitality for current and future generations.

To be sustainable as a City we must look for and be open to alternative revenue sources.

Economic Impact

The cost of the presentation would be nominal and the potential increase in non-taxation revenue may prove to be significant.

Communications Plan

N/A

Purpose

The purpose of this report is to update Council that staff will coordinate and host a presentation on Non Taxation Revenue.

Background - Analysis and Options

The Vaughan Vision 20|20 Strategic Plan sets out a vision and direction for the City over the next decade and beyond. A major initiative identified in the Strategic Plan is Management Excellence with the specific goal to Ensure Financial Sustainability.

Planning for the future will put the City in a better position to deal with the many challenges confronting the municipality, its citizens and business community. Availability and quality of municipal services and programs, the environment, traffic congestion, access to health care facilities and community safety are matters that will need to be addressed as the City grows. Meeting public needs and expectations will require prudent financial planning to control expenditures and the optimizing of potential revenue sources.

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Traditionally, municipalities in Canada have relied on taxation to fund the majority of their programs and services. As the City moves forward and particularly in these current economic times, municipalities must increasingly seek out other sources of revenue.

Some private, institutional and public sectors have employed a diverse set of revenue-generating opportunities with significant results. These opportunities include naming rights, signage, product placement, advertising on vehicular assets, website, co-branding, exclusivity agreements, supplier agreements, loyalty programs, and event sponsorship. These opportunities need to be fully explored as potential revenue opportunities for the City.

The Presentation

The objective of the presentation will be to better inform the Mayor and Members of Council and in turn assist staff in developing a strategic plan for non-taxation revenue that includes meeting overall corporate objectives. The presentation will address;

1. The importance of analysis to determine how corporate assets are delivering a return on investment and assess to determine the opportunity in real market terms of the program or programs;
2. How to identify, list and prioritize potential programs and assets that could generate revenue;
3. How to develop specific criteria;
4. How to create specific measurement systems;
5. Identify “best practices” that municipalities across Canada and North America are using;

Relationship to Vaughan Vision 2020/Strategic Plan

In consideration of the strategic priorities related to Vaughan Vision 20|20, the report will provide:

STRATEGIC GOALS:

Service Excellence – Providing service excellence to citizens.
Management Excellence

STRATEGIC OBJECTIVES:

Plan and Manage Growth & Economic Vitality.

Regional Implications

None

Conclusion

Non taxation revenue has the potential to represent a significant source of additional revenue for the City of Vaughan. The City has a large amount of building infrastructure, parkland, and other assets that could be of interest to the private sector and in turn generate revenue for the City. Revenue generating opportunities would be a prudent and a proactive approach to ensure that the City's tax base is enhanced beyond the traditional balance between residential and business property tax. This will aid in the preparation of the City's annual budgeting and forecasting systems and better improve the financial health of the corporation.

Report prepared by:

Tim Simmonds, Director, Economic Development

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3 OPERATING BUDGET QUARTERLY REPORT ENDING SEPTEMBER 30, 2010

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance/City Treasurer and the Director of Budgeting and Financial Planning, dated January 17, 2011:

Recommendation

The Commissioner of Finance/City Treasurer and the Director of Budgeting and Financial Planning recommend:

That the 2010 Third Quarter Variance Report be received for information purposes.

Contribution to Sustainability

Not applicable

Economic Impact

Not applicable

Communication Plan

Not applicable

Purpose

To report on the year-to-date actual 2010 Operating Budget results versus the calendarized 2010 Operating Budget, as at September 30, 2010.

Background – Analysis and Options

The attached third quarter variance report compares the current status of actual departmental and corporate operating results for the nine-month period ending September 30, 2010, relative to the 2010 year-to-date operating budget. The year-to-date operating budget is calendarized based primarily on the spending patterns and trends of previous years, as per departmental submissions, and is compared to quarterly accounting results. The intent and focus of this report is to monitor and communicate actual performance to the annual plan and highlight trends and variances beyond specified thresholds.

Third Quarter Overview – Ahead of Budget

The annual Operating Budget for the City is \$205.4m, of which 30% remains to be realized. At the end of the third quarter, the City experienced a \$2.2m net favourable variance. This favourable variance was comprised of a \$3.8m favourable expenditure variance and a \$1.6m unfavourable revenue variance. A detailed report is attached, which provides specific variance detail by department and corporate categories.

It is important to note, the combined favourable variance is not directly indicative of the City's final year-end position; it simply compares the City's actual financial position to the approved budget at a point in time. At this stage in the process, it is too early to determine if this favourable position can be sustained, as a number of events such as a shifting of trends, timing differences, or unforeseen events in the latter part of the year could easily erode the current position.

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The main areas that contributed to the positive \$2.2m variance are summarized below.

City Revenue Variance

Actual revenues were \$180.3m as of September 30, 2010, and represent a \$1.6m unfavourable variance when compared to the year-to-date revenue budget of \$181.9m. Highlights are as follows:

- Corporate revenues were \$3.2m unfavourable and largely due to a \$3.18m timing difference in receiving Power Stream dividends. In addition, unfavourable variances were experienced in Power Stream investment income and fines and penalties, which were more than offset by a favourable City investment income position.
- This variance is partially offset by the following items
 - \$1.1m favourable variance in user fees due to higher than anticipated volumes in Building Standards, Fire & Rescue, Licensing, and Committee of Adjustment Revenues.
 - \$265k favourable variance in Payments In Lieu (PIL) due to timing differences in anticipated collection dates.
 - \$122k favourable variance in reserve transfers due to favourable positions in the Engineering Reserve and Finance from Capital funding, which were partially offset by less than anticipated Fleet Management and Building Standards Reserve withdrawals.

City Expenditure Variance Overview

Actual total expenditures were \$148.7m as of September 30, 2010, and represent a \$3.8m favourable variance when compared to the year-to-date expenditure budget of \$144.9m.

The largest component driving the City's favourable expenditure variance was a favourable position in total department expenses, approximately \$6.3m. Approximately 35% of this variance resulted from labour savings across many departments. Favourable variances in utilities, materials, and service contracts contributed to the remaining balance, which were largely generated by timing differences, conservation efforts, and a relatively milder winter.

The above favourable department variance was reduced by a \$2.5m unfavourable variance in corporate expenses, of which \$1.75m was related to anticipated global labour savings and \$978k was related to an unexpected Building Standards reserve contribution. This variance was slightly offset by a mixture of timing variances in tax adjustments, OMB professional fees, etc.

Variance Summary:

For quick reference purposes, a high level variance summary sorted by impact is provided below, followed by explanations for specific department major revenue and expenditure variances.

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**City of Vaughan
2010 Operating Budget
Third Quarter Variance Summary**

<u>Revenues</u>	Variance in \$mil (rounded)	
Payment In Lieu/Other		0.3
 Reserves and Other Transfers		
Finance - From Capital	0.2	
Engineering Reserve	0.1	
Building Standards	(0.1)	
Fleet Management Reserve (Vehicle Repl.)	<u>(0.1)</u>	0.1
 Fees & Service Charges		
Building Standards	0.6	
Fire & Rescue	0.3	
Building & Facilities	0.2	
Clerks - Licensing	0.2	
Development Planning	(0.3)	
Recreation	(0.3)	
Other	<u>0.5</u>	1.2
 Corporate Revenue		
Hydro Dividends		<u>(3.2)</u>
Total Revenues		(1.6)
 <u>Expenditures</u>		
Departmental Expenses		
Buildings & Facilities	1.3	
Vaughan Public Libraries	0.8	
Building Standards	0.5	
Information & Technology Management	0.5	
Parks Operations	0.4	
Development & Trans. Engineering	0.4	
Public Works Operations	0.4	
Council	0.2	
City Manager	0.2	
City Financial Services	0.2	
Enforcement Services	0.2	
Recreation	0.2	
Development Planning	0.2	
Economic And Business Development	0.2	
Engineering Services	0.2	
Legal Services	(0.2)	
Fire And Rescue Services	(0.6)	
Other-(various departments)	<u>1.2</u>	6.3
 Corporate Expenditures		
Major OMB Hearings	0.2	
Tax Adjustments	(0.1)	
Building Stds Service Continuity Res. Contr'n	(1.0)	
Anticipated Labour Savings	(1.8)	
Other	<u>0.2</u>	<u>(2.5)</u>
Total Expenditures		3.8
Third Quarter Revenues Net of Expenditures		<u>\$ 2.2</u>

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Specific Variance Explanations:

Listed below are explanations for significant revenue and expenditure variances. ***As per prior practice, department explanations are required for all unfavourable variances and any favourable variances in excess of \$100,000.*** Variances are provided in a department order similar to that illustrated in the enclosed attachment. Explanations for corporate revenue and expenditure variances are also included, following the major department variance explanations.

Council

Expenditure variance - \$158,464 or 15.4% favourable

The above variance reflects a combined favourable variance for all 9 Council members. The average variance was approximately \$18k and consists of variances in a variety of accounts. As per policy, specific details are posted monthly on-line.

City Manager

City Manager

Expenditure variance - \$241,272 or 34.9% favourable

The variance of was largely caused by temporary vacancies i.e. Executive Assistant and Manager of Environmental Sustainability. Staff development and training accounts were also favourable due to the above vacancies. Although positions were filled by September, the variance is anticipated to continue until year-end. A variance was also experienced in professional fees due to postponed projects.

Environmental Sustainability

Expenditure variance - \$12,244 unfavourable

Within the year, it was determined that a new business unit was needed. This action is currently in transition, but should be completed by year-end. The unfavourable variance is related to part-time expenses and will be eliminated once the associated budgets are transferred.

Fire and Rescue Services

Revenue variance - \$316,802 or 116.5% favourable

The third quarter revenue position has exceeded the year to date budget by 116.5%. The majority of the favourable variance, approximately \$128k, was mainly attributed to fees collected from the new fire fighter employment applications, which on a net department basis were partially offset by an increase in the training and development expenditures. Another \$117k favourable variance was a result of higher emergency call outs due to an increase in motor vehicle accidents. In addition, external mechanical services provided to municipalities resulted in a \$59k favourable position and the remaining variance is an outcome of a higher demand for fire prevention inspections.

Expenditure variance - \$563,809 or 2.4% unfavourable

The unfavourable variance was largely a result of \$695k in increased overtime and benefit spending, which was partially offset by \$385k in full-time salary savings for temporary vacancies i.e. retirees, maternity-paternity leave, people on modified work schedule and staff on long term disability.

There were additional expenditures of approximately \$90k in training and development related to Firefighter recruit training, which is more than recovered through application fees. In addition, increased fleet usage and testing resulted in added purchases for small tools and equipment \$48k and materials and supplies \$40k. The increase in fire fleet and its usage also contributed approximately a \$72k increase in general vehicle repairs by the Fire Operations division.

The remainder of the variance was an equalized combination of minor variances across multiple accounts.

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Commissioner of Finance and Corporate Services

City Financial Services

Expenditure variance - \$239,370 or 11.4% favourable

The favourable variance was largely related to \$194k of savings as a result of temporary staffing vacancies split between Accounting Services and Property Tax Divisions, \$130k and \$64k respectively. The delay of hiring a Project Analyst and staff vacancies contributed to \$20k savings in computer supplies, training, computer hardware office equipment, etc. There was also \$13k of savings in printing due to the delay of the October supplemental billing. The remainder of the variance was a combination of minor variances in other accounts.

Commissioner of Legal and Administrative Services

City Clerk - Licensing

Revenue variance - \$188,491 or 27.7% favourable

The favourable variance was made up of various revenue components. Taxi licensing revenues were higher by \$43k as a result of eight new taxi cab owner licenses and are expected to continue to increase in the fourth quarter. Marriage licenses were higher than expected by \$42k caused by a combination of an increase in fees and growth. Eating establishment licenses were higher than anticipated by \$29k, but the trend is not expected to continue in the fourth quarter. The remainder of the variance was a cumulative favourable variance related to growth in licenses for public garage, adult entertainment, animal licensing, personal services etc.

Committee of Adjustment

Revenue variance - \$113,827 or 41.7% favourable

The favourable variance was a result of higher than expected applications. Adjustments are included in the 2011 budget to account for this trend.

City Clerk - Insurance

Expenditure variance - \$47,149 or 3.9% unfavourable

The unfavourable variance was a result of slightly higher than expected claims and deductibles. The City's insurance policy was under review and the year-end position is anticipated to be unfavourable due to an increase in the premium and a short-term policy extension to review insurance proposals. The above expenses are fully counter balanced by a transfer from the insurance reserve, which is directly funded by departments. This is done to allocate insurance costs to departments.

Legal Services

Revenue variance - \$12,946 or 20.3% unfavourable

This variance was a result of lower than anticipated electronic registration fees caused by the development slowdown i.e. site plan, subdivision, easement, and other registrations.

Expenditure variance - \$215,274 or 17.2% unfavourable

The unfavourable variance was a result of greater than forecasted professional fee costs, approximately \$234k, related to the legal fees paid for external legal counsel regarding prosecutions arising from compliance audits. These additional costs are expected to continue. The above balance was partially offset by several accounts with minor variances such as labour, registration fees among other accounts.

Enforcement Services

Revenue variance - \$138,594 or 10.7% favourable

The favourable revenue variance was mostly due to the benefits realized from the Administrative Monetary Penalty program.

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Expenditure variance - \$249,971 or 7.7% favourable

The favourable variance was mainly a result of \$173k in labour costs resulting from staff vacancies that are in the process of being filled. In addition, a \$20k variance in the machine time account was caused by process timing differences. The remainder of the variance was in other accounts associated to the vacancies i.e. materials and supplies, training, phone charges, etc.

Human Resources

Expenditure variance - \$103,337 or 4.5% favourable

The favourable variance was mostly due to \$82k lower than anticipated advertising costs for employment opportunities. In addition, \$38k savings was realized in labour costs due to temporary vacancies. The remainder of the variance was made up various accounts such as professional fees, corporate training and awards.

Commissioner of Community Services

Recreation

Revenue variance - \$339,466 or 2.4% unfavourable

The unfavourable variance consisted of the following:

- \$353k revenue shortfall due to the delayed opening of the North Thornhill Community Centre
- \$370k decrease in revenues in general programs, camps, fitness center memberships and City Playhouse tickets due to the implementation of HST and increased private sector competition
- The unfavourable variance was offset by:
 - \$354k higher than expected York Region Transit ticket sales
- The remainder of the variance consisted of multiple minor variances.

Expenditure variance - \$240,852 or 1.8% favourable

The favourable variance was mainly attributable to a \$371k labour variance consisting of staff vacancies created by temporary leaves and delayed hiring at North Thornhill Community Centre. A \$117k favourable variance was also experienced in the rental and purchase of small tools and equipment due to delayed North Thorn hill Community Centre opening.

The above favourable variance was partially offset by a \$281k unfavourable variance in York Region Transit ticket purchases, which were more than offset by increased ticket sales. The remaining \$33k favourable balance consisted of a variety of accounts i.e. Vaughan Hockey Subsidy invoice payment timing, bank charges, professional fees, etc.

Cultural Services

Expenditure variance - \$103,341 or 16.3% favourable

The overall favourable variance was largely caused by labour savings due to a maternity leave temporary vacancy filled by part-time staff and smaller variances in other accounts.

Building and Facilities

Revenue variance - \$171,767 or 130.2% favourable

The variance was a result of settling a joint service lease agreement with York Region EMS for joint use of station 7-8 & 7-9, which included cumulative retroactive payments.

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Expenditure variance - \$1,266,055 or 9.4% favourable

The overall favourable variance was comprised of many favourable variances. Salaries and benefits savings related to temporary vacancies generated the largest favourable variance, approximately \$819k. In addition, there was a favourable variance of \$196k in the general maintenance account, which was caused by the delay of maintenance projects to focus on Infrastructure Stimulus Program projects. Utility expenses (hydro, water and gas) were also favourable by \$114k as a result of a mild winter in the beginning of the year, conservation practices and payment timing issues. Furthermore, there was a favourable timing variance of \$122k in the machine time account and \$96k in garbage disposal services. The balance of the variance consisted of various minor account variances.

Fleet Management

Expenditure variance - \$111,272 or 15.6% favourable

The overall favourable variance was mainly comprised of temporary vacancies which generated labour cost savings of \$73k. The remainder of the variance was for charges from other departments that did not materialize for the period and various other accounts such as printing and automotive parts.

Parks Operations

Expenditure variance - \$375,879 or 4.4% favourable

The favourable expenditure variance was largely a result of salaries and benefits savings of \$159k related to unpaid leave of absences, positions filled later than anticipated, delayed crew card time entries, etc. Contract timing differences, which will be corrected in future quarters, contributed \$261k to the favourable position. The above total favourable variance was partially offset by a \$71k unfavourable variance in materials and supplies related to activities in maintaining several different sports fields and in flower planting. The remainder of the favourable variance consists of minor savings in other accounts.

Parks Development

Expenditure variance - \$113,819 or 13.8% favourable

The favourable expenditure variance was largely a result of salaries and benefits savings of \$92k related to temporary vacancy. The remainder of the favourable variance consists of minor savings in other accounts.

Commissioner of Planning

Development Planning

Revenue variance - \$315,566 or 17.6% unfavourable

The variance was due to a lower number of applications being processed for both Zoning By-law Amendments and Subdivision Agreements. The unfavourable variance was partially offset by additional revenue from Site Plan Applications submitted during this period. It is anticipated that budgeted revenues will materialize, as forecasted, before the end of the year, barring any unforeseen events or market conditions.

Expenditure variance - \$214,237 or 10.9% favourable

The majority of the variance is related to labour and benefit savings of \$154k due to the Manager of Development Planning secondment to Policy Planning for the Official Plan review and two vacant Planner positions. In addition, there is a small \$16k favourable variance in professional fees due to timing differences. The balance of the variance consists of multiple variances i.e. training, computer supplies, office furniture, etc.

Building Standards

Revenue variance - \$596,348 or 9.1% favourable

The favourable building standards revenue variance is a result of a \$239k increase in building permits due to higher volumes experienced earlier in the year. In addition there was a \$144k

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increase in title restriction revenues due to the approval of a large apartment condominium project and a \$128K increase in sign permit fees as a result of increased enforcement activities by Enforcement Services. The Building Standards Department will continue to closely monitor permit activity and if required, will review the building permit fee structure and make recommendations accordingly.

Expenditure variance - \$499,099 or 10.7% favourable

The majority of the favourable expenditure variance is related to temporary vacancies which have resulted in savings of \$315K in labour accounts. Another \$100k favourable variance was experienced in labour related accounts i.e. office equipment, computer hardware, software, training and development, etc. In conjunction with the Human Resources Department, the Building Standards Department is currently in the process of filling two of the three vacant full-time positions. Furthermore, there was a favourable timing variance of \$35k in the machine time account. The balance of the variance consists of multiple minor variances.

Commissioner of Economic and Technology Development and Corporate Communications

Economic and Business Development

Revenue variance - \$88,021 or 65.4% unfavourable

The unfavourable revenue variance was partially caused by a delay in transferring \$55k in VBEC provincial funding and this variance is expected to be corrected by year-end. In addition, a \$33k variance in Tourism revenue was experienced and attributable to a shift in the department direction, as per the approved Economic Development Strategy.

Expenditure variance - \$197,518 or 16.6% favourable

There was a favourable variance of \$46k in labour accounts due to vacancies in two coordinator positions. The Tourism Coordination role was eliminated as per the approved economic development strategy and therefore this variance is anticipated to continue.

There was a \$29k favourable variance in professional fees due to a delayed invoice payment related to the economic development strategy. In waiting for the Economic Development Strategy to be approved a number of activities were deferred, which resulted in savings in advertising and promotion accounts totalling \$60k. The Tourism Program was eliminated, as recommended in the strategy, and therefore variances are anticipated to continue. A \$39k favourable variance was also created due to a reserve transfer to cover foreign and international business travel i.e. 2010 China Business Trade Mission. There was a \$70k favourable variance in expenses related to Special Events/Public Relations mostly related to the initial budget setup of VBEC and by savings in promotion and education caused by lower sponsored activities and visiting foreign delegations.

The above was partially offset by a temporary unfavourable expenditure variance of \$81k in outside services, which is associated with a change in the accounting treatment for VBEC. Moving forward, VBEC will be treated as a separate entity and any related expenses will be transferred by year-end.

The balance of the variance consists of a mixture of variances in other accounts such as communications, training and development etc.

Information Technology Management

Expenditure variance - \$486,425 or 9.8% favourable

The favourable expenditure variance was largely a result of \$261k in professional fees savings caused by a delay in payment for contract renewals in the business solutions and technical services areas. Furthermore, there was \$171k in salaries and benefits savings related to temporary staff vacancies. The balance of the variance consisted of a mixture of variances in other accounts such as communications, joint service recoveries, computer software etc.

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Commissioner of Engineering and Public Works

Development and Transportation Engineering

Expenditure variance - \$390,871 or 14.0% favourable

The favourable variance was primarily a result of labour savings, approximately \$367k caused by temporary vacancies. During the third quarter, there were three vacancies most of the year and it is expected that the vacancies will be filled by the end of 2010. The remainder of the variance was in various accounts such as machine time, professional fees among other accounts.

Engineering Services

Expenditure variance - \$246,768 or 10.2% favourable

The favourable variance was primarily a result of labour savings, approximately \$230k caused by hiring delays for two positions. The remainder of the variance was in various other accounts such as machine time, computer hardware, professional fees etc.

Public Works-Operations

Expenditure variance - \$423,234 or 2.4% favourable

The above variance is largely related to \$168k favorable variance in the Administration Division due to staff vacancies.

In addition, a \$234k favourable variance was experienced in the Roads Division and consists of the following components:

- A \$609k favourable variance in contractor and contractor materials was caused by payment timing issues, which will be corrected by year-end, and performing more work in-house.
- The above favorable variance was partially offset by a \$256k unfavorable variance in labour accounts and a \$140k unfavorable variance in associated machine time.

The remaining favorable variance consists of other minor variances in Winter Control and Waste divisions, \$34k unfavorable and 55k favorable respectively.

Vaughan Public Libraries

Expenditure variance - \$767,040 or 8.6% favourable

The variance was caused by a \$382k favourable variance in salary and benefits resulting from associated staff turnover and staff replacement wage differentials. In addition, book resource costs were \$167k lower than expected due to a processing delay with a new primary book vendor, while the joint service charges from the COV were \$132k lower than anticipated due to invoicing delays. The latter variances should self correct by the end of the year. The remainder of the variance was a result of a mixture of smaller account variances, such as material processing charges, general maintenance, professional fees, copier lease charges, etc.

Corporate Revenues

Reserves and Other Transfers

Revenue variance - \$122,060 or 1.5% favourable

The favourable variance in reserve transfers was largely related to a \$122k favourable position in the Engineering Reserve due to timing differences in related departments. Also there was a \$216k favourable position in Finance from Capital due to an increase in completed capital projects.

These balances were partially offset by less than anticipated Fleet Management and Building Standards Reserve withdrawals based on actual department activity. The balance of the remaining favourable variance is split between other minor variances.

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Payment In Lieu/Other

Revenue variance - \$265,455 or 10.5% favourable

The \$265k favourable variance in payment in lieu was largely related to timing differences in anticipated collection dates. This position is anticipated to be corrected by year- end.

General Corporate Revenues

Revenue variance - \$3,206,098 or 22.6% unfavourable

Corporate revenues were unfavourable due to a delay in receiving dividends from Power Stream. This accounts for \$3.18m of the total variance. In addition to the above the following unfavourable variances were experienced.

- Fines and Penalties were \$428k unfavourable resulting from the elimination of "First day default penalty" after each tax due date.
- Hydro investment income was \$214k lower than anticipated, due to timing differences and should come in on target before year-end.
- These unfavourable variances were partially offset by a \$731k higher than anticipated investment income balance due to recovering interest rates.
- The balance of the corporate revenue balance consists of smaller variances in various accounts.

Corporate Expenditures

Corporate and Election Expenditures

Expenditure variance - \$2,589,245 or 50.1% unfavourable

The majority of the unfavourable variance consists of the following four explanations:

1. A \$1.75m unfavourable variance in salary gapping. This figure is an anticipated overall salary gapping target based on historical trends and is intended to naturally offset the actual salary savings realized within departments. The salary gapping estimate is recorded corporately as specific department gapping is highly random and unknown i.e. turnover, leaves, etc. Overall gapping is favourable as actual department results are outpacing the corporate estimate.
2. The Building Standards and Reserve contribution was unfavourable \$978k, resulting from a combination of lower than anticipated expenditures and higher building code permit revenues. Bill 124 imposes cost and price restrictions on the building code permit fees to the extent that revenues cannot exceed reasonable and anticipated costs. For the above reason and as per the City's policy, the revenue surplus was transferred to the reserve to provide future service continuity.
3. A \$128k unfavourable variance in tax adjustments was experienced and largely due to an increase in Elderly Homeowners Grant applications, as well as an increase in the Vacancy Rebate Program.
4. The above unfavourable variances were partially offset by favourable variances in OMB Hearings of \$198k due to timing issues that will self correct throughout the remaining portion of the year.

Relationship to Vaughan Vision 2020 / Strategic Plan

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

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Regional Implications

None

Conclusion

Based on the 2010 quarter ending September 30, 2010, there was a favourable variance of \$2.2m. Should trends continue and barring any unforeseen events, such as a greater amount of snow in the last quarter of 2010 than predicted, it is likely that our year-end position will be favourable. However, it would be prudent to exercise caution as the fourth quarter is very active with many expenses being processed before year-end. Over the past few years, the operating budget has relied on a prior year's surplus of \$2.5m to assist in balancing the budget. At this point in time, indicators suggest that 2010 will not be different than previous years.

Attachments

Attachment 1: Third Quarter Variance Report

Report prepared by:

Barbara Cribbett, CMA
Commissioner of Finance/City Treasurer
Ext. 8475

John Henry, CMA
Director of Budgeting and Financial Planning
Ext. 8348

Ursula D'Angelo, CGA
Manager, Operating Budget & Activity Costing
Ext 8401

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

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Item 4, Report No. 1, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on January 25, 2011.

4 CAPITAL WORK PLAN QUARTERLY REPORT ENDING SEPTEMBER 30, 2010

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance/City Treasurer and the Director of Reserves & Investments, dated January 17, 2011:

Recommendation

The Commissioner of Finance/City Treasurer and the Director of Reserves & Investments recommends:

That this report be received for information purposes.

Contribution to Sustainability

This is not applicable to this report.

Economic Impact

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

Communications Plan

Not Applicable.

Purpose

The purpose of this report is to provide Finance and Administration Committee with the 2010 third quarter update on the financial status of all approved capital projects and reserves and reserve fund 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 quarterly financial updates to Council

The attached quarterly report provides an update on the financial status of all approved and active capital projects and reserve and reserve fund balances.

Attachment 1 (Capital Work Plan Progress Report ending September 30, 2010) provides the Budget to Actual Status for all currently approved and active capital projects as at September 30, 2010. 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

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September 30, 2010 and is not an indication of the percentage completion of capital work-in-progress. This information is compiled at a point in time and as capital work plan information is continuously changing current information may vary from this report.

Reserves & Investments has reviewed the Budget to Actual Status report as at September 30, 2010 and provides the following analysis:

- there are 461 open capital projects with a capital budget value of \$550 Million
- to date approximately 67% of this capital budget has been spend (payments processed)
- capital work-in-progress to be completed is valued at approximately \$180 Million

Reserves staff together with the operational departments reviewed all active capital projects listed as at September 30, 2010 to determine which capital projects could be consolidated and/or closed in order to ensure compliance with the new PSAB reporting standards.

Attachment 2 (Continuity of Reserves & Reserve Fund Schedule) provides information on the individual and aggregate reserve/reserve fund balances as at September 30, 2010 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/Strategic Plan

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 Work Plan Quarterly Report ending September 30, 2010 provides the Finance and Administration Committee with the financial status of all approved capital projects and reserve/reserve fund balances as at September 30, 2010. The Capital Work Plan Progress Report and the Continuity of Reserves & Reserve Funds 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 – Capital Work Plan Progress Report ending September 30, 2010

Attachment 2 – Continuity of Reserves & Reserve Funds Schedule as at September 30, 2010

Report prepared by:

Ferruccio Castellarin, CGA
Director of Reserves & Investments
Ext. 8271

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

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Item 5, Report No. 1, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on January 25, 2011.

5 DRAFT 2011/2012 OPERATING BUDGET

The Finance and Administration Committee recommends:

- 1) That the recommendation contained in the following report of the City Manager, the Commissioner of Finance/City Treasurer, and the Director of Budgeting and Financial Planning, dated January 17, 2011, be approved;
- 2) That the following recommendation contained in Communication C1, dated January 17, 2011, from the City Manager, the Commissioner of Finance/City Treasurer, the Senior Management Team and the Director of Budgeting and Financial Planning, be approved, and Communication C1 be appended to this report:

“That the following report on the Draft 2011/2012 Operating Budget, including the additional resource requests, be received for information and discussion purposes.”

- 3) That the presentation by the Commissioner of Finance/City Treasurer and the material submitted as Communication C2, titled “2011-2012 Draft Operating Budget, Planning for the Future, Financial Sustainability: A Key Priority”, be received.

Recommendation

The City Manager, the Commissioner of Finance/City Treasurer, and the Director of Budgeting and Financial Planning recommend:

- 1) That due to the December 14, 2010 Council-approved economic adjustment and the resulting additional time required to properly re-allocate Department budgets, this report be received as an introduction for the January 17, 2011 Finance and Administration Committee agenda item; and
- 2) That a comprehensive budget report be provided in advance of the January 17, 2011 Finance & Administration Committee meeting.

Contribution to Sustainability

Sustainability by definition focuses on the ability to maintain a function over a period of time. Responsible budgeting allocates resources in a responsible way to sustain the City’s operations and aspirations, balancing both current and future requirements.

The approach to the operating budget seeks to minimize the current year requirements, while meeting the requirements of sustainability. Specific principles included in the 2011 Operating Budget Guidelines approved by Council include:

- i) Managing our future, multi-year planning – A Strategic Future Focus
- ii) Managing tax increases through strict guidelines – No “across the board increases”
- iii) Fostering continuous collaboration and public engagement

Collectively, these principles have aided in developing realistic and responsible financial plans

Economic Impact

The economic impact will be provided in the report to be distributed the week of January 10, 2011.

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Communications Plan

Not Applicable

Purpose

The purpose of this report is to act as an introduction for a more detailed report on the Draft 2011/2012 Operating Budget to be distributed the week of January 10, 2011.

Background - Analysis and Options

On December 14th, 2010, Council approved economic adjustments for non-union employees. To ensure all department budgets accurately reflect these adjustments/re-allocations, as well as to prevent and minimize confusion typically generated by multiple budget versions, additional time is required to prepare the detailed budget document. This report serves as an introduction for the January 17, 2011 Finance and Administration Committee Operating Budget agenda item. A more comprehensive report will be distributed through the Clerk's office during the week of January 10, 2011. Below are general highlights of the 2011/2012 Operating Budget item framework.

Financial Sustainability a Key Priority

As a result of the City's long standing dedication to financial management through progressive best practices and prudent policies, the City is in a very strong financial position relative to other municipalities. The City has always considered increasing taxes as a last resort and through prudent policies, tight budget guidelines and strong leadership; the City has provided residents with value by providing high quality services to the community, while maintaining one of the lowest property tax rates in the Greater Toronto Area.

As the City moves forward, financial sustainability must continue as one of Vaughan's key priorities. Over the next decade, the City of Vaughan is expected to undergo a tremendous transformation fueled by sustained high growth rates, provincially driven intensification, increasing legislative requirements and a number of vision based master plans reflecting important community needs. As the City becomes increasingly more sophisticated it will also face increasing financial pressures beyond the many factors currently placing significant strain on the property tax rate to maintain existing service levels (e.g. inflation, growth, collective agreements, contract escalation costs, fluctuating revenues, etc.). These pressures are permanent and often require continuous funding solutions, often taxation.

Planning for the Future

Vaughan has always taken the management and stewardship of public funds very seriously and continues to demonstrate financial leadership and discipline ensuring residents receive value for their tax dollars. For several years, the City's rigorous budgetary process has focused on containing costs and implementing best practices, with the goal of developing realistic and responsible financial plans. The City has received the Distinguished Budgeting Award from the Government Financial Officers Association (GFOA), an international association focused on municipal finance and best practices.

This year's Budget guidelines continue to build on those core values and successful business practices. Recognizing the challenges that lay ahead, and building on the financial planning efforts to date, the budget guidelines now incorporate a future focus to provide citizens with more certainty about the direction of City services, finances, and tax levels. The Operating Budget guidelines were adopted by the Budget Committee on June 14th, 2010 and consist of the following principles and actions:

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Managing Our Future

1. Looking to the future by creating multi-year budgets
2. Reinforce strategic priorities through the business planning and process

This strategic action provides decision makers with future foresight and ability to proactively identify future opportunities, address future challenges, and improve decision making by understanding the longer-term financial implications of decisions.

Managing Tax Increases

3. Controlling budget pressures
4. User Fee Reviews to Reduce the tax burden
5. Strict process to evaluate funding requests
6. Zero impact adjustments
7. Exploring opportunities & continuous improvement

The objective of these actions is to provide the lowest possible tax increase while maintaining the City's service levels. Under these actions, departments are only permitted very specific increases. There is no "across the board" inflationary increase.

Fostering Continuous Collaboration

8. Early and continuous public participation
9. Thorough multi-layered review process

Collaboration and engagement is essential to validate the needs of the community and balance them within available resources

Base Budget

The City's approach to the annual operating budget is to first issue very strict budget guidelines to develop the Base Budget. Under the guidelines, departments are only permitted to include very specific adjustments in their base budget and are typically related to predetermined agreements, contracts or Council approvals/reductions. For example, there is no "across the board" increase for inflation and no increases for new staffing.

Additional Resource Requests (ARR)

To the extent that a department requires additional resources, a separate business case must be submitted for consideration. These include staff and non-staff related requests. These are referred to as Additional Resource Requests (ARR) and are individually vetted through a Director's Working Group, the Senior Management Team, the Finance and Administration Committee and finally Council. Initially, there were over 90 ARR's submitted for 2011 and 2012 reviewed and prioritized by the Director's Working Group and the Senior Management Team over 10 meetings collectively.

The approach, guidelines and actions recommended represent prudent management practices and are appropriate given the demand for services are increasing at the same time the community is experiencing a modest economic recovery. The objective of separating the process into the base budget and additional resource requests is to clearly identify and vet each individual resource request that comes forward.

Operating Budget Review

The City of Vaughan continues to be subject to many factors that place significant pressures on the property tax rate. Inherent in the annual operating budget process are the normal pressures of inflation, growth, staffing resources, external contract costs, collective agreements, fluctuating revenues etc., which are further compounded by expanding service requirements and tax funded infrastructure renewal cost impacts experienced by a high growth municipality. This situation presents significant challenges to achieving a balanced budget and maintaining service levels

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while minimizing associated tax rate increases and achieving Council's priorities. To assist the Public and Council Members with understanding the challenges facing the City and to assess the Draft 2011 and 2012 Operating Budget, the further detailed report will review the budget in the following components.

- Base budget under the Council guidelines
- Base budget revenue review
- Base budget expenditure review and analysis
- Review additional resource requests
- Future outlook

Community Engagement

Public consultation and input are important elements of the budget process and essential to validate the needs of the community and balance them within available resources. Throughout the budget process a number of public input opportunities will be provided using a variety of public engagement activities. These are further expanded below.

- *Early Public Engagement* - Through on-line and public forums, the City of Vaughan is engaging the community and requesting public participation. A Public Budget Forum will be held to educate and inform residents regarding the City's budget and obtain input and feedback. Similarly, a budget overview will also be presented to the Chamber of Commerce to inform and engage chamber members. These forums are slated to occur late January to early February, depending on Council availability. In the interest of obtaining maximum community feedback, the forum content will be placed on the City's website for citizens to view and provide their input.
- *Continuous Opportunity for Input* – Throughout the budget process, multiple Finance and Administration Committees (4-8) will be held and are open to the public. Input on the budget is received throughout the process and considered during budget deliberations. In addition to the above, the City hosts other committees and consultation activities, which incorporate significant public engagement. Although separate processes, public feedback obtained at these events will migrate into the budget decision making process.
- *Final Approval* – In addition to the above, a Special Council meeting will be scheduled before budget approval to provide the public with a final opportunity to comment on the 2011/2012 Operating Budget. This meeting will be advertised in advance and consistent with the City's public notification by-law.
- Following approval of the budget, the appropriate media releases will be distributed per City policy. The media releases will articulate the strong management practices and oversight the City currently has in place to provide residents with value for their property tax dollar. Key information will also be provided on the City's website to key stakeholders.

Relationship to Vaughan Vision 2020/Strategic Plan

The Budget once finalized will fund Council priorities.

Regional Implications

There are no Regional implications associated with this report

Conclusion

On December 14th, 2010, Council approved economic adjustments for non-union employees and information related to this adjustment was received shortly before the 2010 holiday closure. To ensure all department budgets accurately incorporate these adjustments, additional time is

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required to prepare and analyze accordingly. The additional time necessary to incorporate the adjustments will also minimize confusion typically generated by multiple budget versions. This report serves as an introduction for the January 17, 2011 Finance and Administration Committee Operating Budget agenda item. A more comprehensive report will be distributed through the Clerk's office during the week of January 10, 2011. Below are general highlights of the 2011/2012 Operating Budget item framework.

- *Financial Sustainability a Key Priority,*
- *Planning for the Future*
- *Operating Budget Guidelines and Review Process*
- *Community Engagement*

The resulting outcome of above efforts will be provided in the detailed report distributed the week of January 10, 2011.

Attachments

N/A

Report prepared by:

Barbara Cribbett, CMA
Commissioner of Finance/City Treasurer
Ext. 8475

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APPENDIX – COMMUNICATION C1

DRAFT 2011/2012 OPERATING BUDGET – ADDITIONAL INFORMATION

Recommendation

The City Manager, the Commissioner of Finance/City Treasurer, the Senior Management Team and the Director of Budgeting and Financial Planning recommend:

That the following report on the Draft 2011/2012 Operating Budget, including the additional resource requests, be received for information and discussion purposes

Contribution to Sustainability

See Main Report

Communication Plan

See Main Report

Economic Impact

The City's approach to establishing the City's annual operating budget is twofold. First, the process begins with Council approving very strict budget guidelines which are issued to departments. There are no "across the board" increases.

Second, a separate resource request for each item is required when any additional funding beyond what is permitted under the guidelines is required. There is a thorough vetting process and those requests that are supported by management are individually itemized and recommended to Council.

Together, the Base Budget and the Additional Resource Requests (ARR's) form the annual operating budget.

The impact of each of these components on the 2011/2012 Draft Operating Budget is summarized below:

1. The Base Budget, derived from Council's approved guidelines is approximately \$214m. The budget change over 2010 associated with department submissions based on these guidelines is \$1.46m for 2011, equivalent to a 1.08% tax increase, and \$2.84m for 2012, equivalent to a 1.99% tax increase.

The above increases are largely driven by the following:

- Contractual obligations to maintain service levels; and
- Debenture financing to improve the road network

Notwithstanding the budget guidelines, management reviewed the base budget and made reductions of approximately \$800,000. These are described in more detail in this report.

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2. Additional Resource Requests are specific requests not permitted under the guidelines. A total of \$10.7m in ARR's was received and ranked. Of this, the Senior Management Team's recommendation is \$3.1m in 2011, equivalent to a 2.32% tax increase. There are \$3.91m in requests in 2012, equivalent to a 2.74% tax increase.

The above increases are largely driven by the following:

1. Community Safety - \$2.7m spanning 2 years for 30 additional firefighters;
2. Various Service Improvements – i.e. updating Vaughan's Vision, developing an on-line engagement survey, further supporting business development, etc.
3. Essential Resources to Continue City Services – roads maintenance, parks servicing, enforcement, traffic management, etc.

The attached Draft 2011/2012 Operating Budget reflects the requirement for the following taxation funded increases:

- For 2011 \$4.57m, an approximate property tax increase of \$39.39 a year (\$3.28 per month) on the average home re-assessed at \$472,368 or a 3.40% tax increase.
- For 2012 \$6.8m, an approximate property tax increase of \$56.71 a year (\$4.73 per month) on the average home re-assessed at \$485,122 or a 4.73% tax increase.

Local Hospital Levy - The City has taken steps to bring a much needed hospital and other health care resources to Vaughan. The Government of Ontario requires local communities to support the development of a hospital through a local financial contribution. It should be noted the financial support and plan for the Vaughan Health Campus of Care Hospital was approved on June 15th, 2009. The approved 2011 & 2012 residential property tax increases associated with the separate Hospital Capital Levy is approximately \$19 or 1.36% in each year for the average home. This increase is in addition to the tax rate increase illustrated above to support the City's operations.

Purpose

The purpose of this report is to provide the Finance & Administration Committee with additional information and details regarding the Draft 2011/2012 Operating Budget, including the major service improvements, enhancements, pressures the municipality is facing, and corresponding tax adjustments on an average Vaughan household.

Background – Analysis and Options

Executive Summary

Planning for the Future

As a result of the City's long standing dedication to financial management through progressive best practices and prudent policies, the City is in a very strong financial position relative to other municipalities. The City has always considered increasing taxes as a last resort and through prudent policies, tight budget guidelines and strong leadership. As the City moves forward, financial sustainability must continue as one of Vaughan's key priorities. Over the next decade, the City of Vaughan is expected to undergo a tremendous transformation fuelled by sustained high growth rates, provincially driven intensification, increasing legislative requirements and a number of vision based master plans reflecting important community needs. As the City becomes increasingly more sophisticated it will also face increasing financial pressures beyond the many

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factors currently placing significant strain on the property tax rate to maintain existing service levels. Vaughan has always taken the management and stewardship of public funds very seriously and continues to demonstrate financial leadership and discipline ensuring residents receive value for their tax dollars. Recognizing the challenges that lay ahead, and building on the financial planning efforts to date, the budget guidelines now incorporate a future focus to provide citizens with more certainty about the direction of City services, finances, and tax levels.

Budget Approach

The City’s approach to the annual operating budget is to first develop the Base Budget through the issuance of very strict budget guidelines. Under the guidelines, departments are only permitted to include very specific adjustments in their Base Budget, which are typically related to predetermined agreements, contracts or Council approvals/reductions. There are no “across the board” increases for inflation and no increases for new staffing.

To the extent that a department requires additional resources, a separate business case must be submitted for consideration. These are referred to as Additional Resource Requests (ARR) and are individually vetted through the Directors Working Group, Senior Management Team, the Finance and Administration Committee and finally Council.

The objective of separating the process into the base budget and additional resource requests is to identify the minimum resources based on agreements etc. that are required to maintain the City’s service levels and fund other municipal requirements, and review all other requests on an individual basis. Further details with respect to the guidelines, principles or the actions are provided in Section 7 of the Attachment - Comprehensive Budget Review Process.

Base Budget and Additional Resource Request Highlights are provided below:

Base Budget

Although there are many components to the City’s base budget, there are four (4) significant, specific adjustments to be highlighted. Technically, in the absence of these four (4) specific adjustments in 2011, there would be a decrease in the base budget. These items and their affect on the budget are illustrated in the following table.

Major 2011/2012 Base Budget Adjustments	2011		2012	
	\$	Rate incr.	\$	Rate incr.
Base Budget Change	1,455,270	1.08%	2,844,372	1.99%
Less: Major Improvements & Servicing Increases				
1 Roads Program - debenture repayments	1,000,000	0.74%	1,500,000	1.05%
Infrastructure Contribution			400,000	0.28%
2 Insurance Premiums	509,000	0.38%	200,000	0.14%
Subtotal	1,509,000	1.12%	2,100,000	1.47%
Less: Unanticipated Revenue Reductions				
3 Planning Reserve	500,000	0.37%		
4 Assessment Growth - \$ decline	388,000	0.29%	390,000	0.27%
Investment Income Realignment			500,000	0.35%
Subtotal	888,000	0.66%	890,000	0.62%
Base Budget Excluding Major Adjustments	(941,730)	-0.70%	(145,628)	-0.10%

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The above chart further illustrates the City’s dedication to financial constraint and providing value for the residents hard earned tax dollar.

Additional Resource Requests (ARR’s)

As previously noted, Additional Resource Requests are submitted on an individual basis and are assessed on their respective merits. Initially, there were over 90 requests totalling a combined \$10.7m for 2011 and 2012, which by themselves represented 4.9% and a 3.2% tax increase respectively. It is important to note, all funding requests submitted have merit, however they must be prioritized and ranked.

Recognizing the challenges, Senior Management and the Directors Working Group spent a significant amount of time reviewing and optimizing the requests, which resulted in a number of requests being partially funded internally and some deferred to future budget years for consideration, without guarantee or special status. Although it is understood that 2012 will reveal many opportunities and issues to be discussed, it is vitally important to begin planning resources beyond a single year to improve financial visibility and to proactively grasp and address future opportunities and challenges. The result is a recommendation to support \$3.1m in 2011 and to advise there are requests totalling \$3.9m in 2012, which translates into a \$27 and a \$33 increase per year, respectively to the average residential property in Vaughan, equivalent to a 2.32% and 2.74% tax increase, respectively. A high-level summary of the additional resource request recommendation is provided in Section 5 of the Attachment and individual requests are located within the department sections of the Attachment.

Combined Base Budget and Additional Resource Requests

The combined impact of the base budget and the additional resource requests on the average home for 2011 and 2012 is as follows:

	<u>2011</u>	<u>2012</u>
Avg. residential assessment value	\$ 472,368	\$ 485,122
Avg. annual residential City tax incr.	\$ 39.4	\$ 56.7
Avg residential City tax incr.	3.40%	4.73%

Future Budget Reallocations/Updates

Notwithstanding the due diligence that has been exercised in preparing the budget, there are components that will require budget updates in the near future. These areas are detailed below:

Harmonized Sales Tax – In December 2009, the Province approved the new Harmonized Sales Tax (HST) structure which came into effect on July 1st, 2010. Overall, the impact associated with HST is relatively minor and mostly offsetting, but will require the realignment of a number of account budgets. To avoid confusion during budget deliberations, HST reallocations will be applied at a later date in the budget process under a separate report. This is intended to help decision makers clearly see the true department budget changes, without the complexity of multiple account budget reallocations across multiple departments.

New Information – The Draft 2011/2012 Operating Budget is based on information at a point in time and as the budget process unfolds new information becomes available through deputations, staff items, or Committee/Council decisions. For example, changes to the capital budget and associated operating budget implications. Authorized adjustments will be consolidated into a final proposed operating budget and presented to the Community and Council at a public input session at the end of the process.

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Quick Facts

The following information is provided for quick reference to assist in providing the public and Council members with a context within which to assess the Draft 2011/2012 Operating Budget.

	2010	(Projected)	
		2011	2012
Average residential assessment	\$ 459,367	\$ 472,368	\$ 485,122
Total taxes levied on the average assessed home ***	4,419	4,458	4,515
City of Vaughan portion (26-27%)	1,160	1,199	1,256
City of Vaughan tax adjustment % on total taxes		0.9%	1.3%
VHCC Capital Levy on the avg. home	22	41	42
Reduction for qualifying seniors	298	308	323
A 1% increase in the tax rate generates	\$1.26m	\$1.35m	\$1.43m
Impact of a 1% increase on the average home	\$ 11.45	\$ 11.60	\$ 12.00
Assessment growth (projected)	3.73%	3.17%	2.75%
D Tax Rate Increase		3.40%	4.73%

r Increase based only on Vaughan increase

Draft 2011/2012 Operating Budget Review

The City of Vaughan continues to be subject to many factors that place significant pressures on the property tax rate. Inherent in the annual operating budget process are the normal pressures of inflation, growth, staffing resources, external contract costs, collective agreements, fluctuating revenues etc., which are further compounded by expanding service requirements and tax funded infrastructure renewal cost impacts experienced by a high growth municipality. This situation presents significant challenges to achieving a balanced budget and maintaining service levels while minimizing associated tax rate increases and achieving Council's priorities. To assist the public and Council Members with understanding the challenges facing the City and to assess the Draft 2011/2012 Operating Budget, the remainder of the report is dedicated to reviewing the budget in the following components:

- A. *Base budget under the guidelines*
- B. *Base budget revenue review*
- C. *Base budget expenditure review*
- D. *Additional resource requests*
- E. *Future outlook*

A) 2011 and 2012 Base Budget under the Guidelines

Based on the budget guidelines, the City's Draft 2011 Operating Budget is approximately \$214m reflecting a \$1.46m funding increase over 2010, equivalent to a 1.08% tax increase.

The City's Draft 2012 Operating Budget is approximately \$223m reflecting a \$2.84m funding increase over 2011, equivalent to a 1.99% tax rate increase.

The above draft operating budgets include an anticipated \$2.5m surplus carried forward from 2010 and \$2.8m subsidization from the Tax Rate Stabilization Reserve. This is consistent with prior year Council direction. These figures **exclude any** budget changes associated with the recommended additional resource requests. These are discussed later in the report.

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For the 2011-12 Budget process, all account budgets remained at prior year budget levels with the exception of established commitments and pre-defined external pressures as defined by the approved budget guidelines. In order to check adherence to the guidelines, budget submissions were verified to ensure there were no other increases or that any budgetary increases, outside the guidelines, were offset by corresponding decreases in other line items. Through budget submission reviews and assurances from Commissioners and Directors, there is a very high level of confidence that approved guidelines were followed.

The Budget Guidelines were designed to restrict expenditure increases and this process has been successful as demonstrated by a total increase in department expenditures of only 3.6% in 2011 and 3.5% in 2012. This equates to a \$6.5m year over year increase in departmental expenses for both 2011 and 2012. Approximately 70-80% of the department increase is attributable to changes to support the City's workforce and comply with collective and management agreements. The remaining portion is related to external service contracts, including increases in snow removal, waste management, utilities, and insurance premiums. These services are generally contracted, competitively tendered and awarded to the lowest bidder.

The above adjustments include base budget reductions directed by management, equating to \$815k. These are:

<u>Budget Saving Initiatives</u>	<u>Savings</u>
• Utilizing in-house staff for professional engagements	\$140k
• Improved energy conservation efforts	\$300k
• Efficiencies in ITM communication contracts	\$75k
• Utilizing contingent funds to phase in the partial impact of fire retention	\$300k

To assist the committee in assessing the Draft 2011/2012 Base Operating Budgets resulting from the budget guidelines, the following summary is provided below:

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<u>Dept. Expenses per Guidelines</u>	2011 Budget Change			2012 Budget Change		
	\$	%	Tax Rate	\$	%	Tax Rate
<u>Labour Costs</u>						
<i>Volume related adjustments</i>						
-Gapping 2010 complements	80,000					
-Animal control reallocation	649,000					
-FY Impact Fire Hall 7-10	375,000					
<i>Rate based adjustments</i>						
-Fire retention, prog., & agreement	1,079,300			691,503		
-Library market & econ. adj.	647,000			472,720		
-Other City Cupe, & Mgmt agreements	2,184,820			2,815,916		
-Other City prog./job evals	295,024			484,445		
	5,310,144	4.2%	3.95%	4,464,584	3.3%	3.12%
<u>Contractual Obligations</u>	774,019	1.4%	0.58%	1,031,329	3.2%	0.72%
<u>Utilities</u>	161,483	2.1%	0.12%	468,326	6.0%	0.33%
<u>Insurance</u>						
<i>Dept. insurance allocations</i>	367,085	19.1%	0.27%	144,805	6.3%	0.10%
<i>Insurance premium & deductible *</i>	507,000	19.1%	0.38%	200,000	6.3%	0.14%
<small>*neutral impact by resv. offset</small>						
<u>Other Items</u>	(588,749)	-2.0%	-0.44%	228,928	1.5%	0.16%
Dept. Exp. Change	6,530,982	3.6%	4.85%	6,537,972	3.5%	4.57%
Dept. Fee & Service Charges	770,477	2.3%	0.57%	446,748	1.3%	0.31%
Net Dept. Change (Excl Resv.Trfrs)	5,760,505		4.28%	6,091,224		4.26%
<u>Corporate Expenditures</u>						
Long Term Debt	3,087,862	34.3%	2.29%	1,971,427	16.3%	1.38%
Contingency	487,204	45.5%	0.36%	804,509	51.6%	0.56%
General Corp Elections	(1,290,170)	-10.9%	-0.96%	(967,000)	-8.9%	-0.68%
Total Corporate Expenditure Change	2,284,896	9.0%	1.70%	1,808,936	6.6%	1.27%
<u>Corporate Revenues</u>						
Supplemental Taxation	700,000	31.8%	0.52%	0	0.0%	
Debenture Payment Reserve	2,037,862	360.7%	1.51%	521,427	20.0%	0.36%
Build. Std Continuity Reserve	450,000	225.0%	0.33%	600,000	92.3%	0.42%
Insurance Reserve	507,000	19.1%	0.38%	200,000	6.3%	0.14%
Finance from Capital	240,000	21.6%	0.18%	150,000	11.1%	0.10%
Water & Wastewater Recovery	200,000	10.0%	0.15%	100,000	4.5%	0.07%
Election Reserve	(985,000)	-100.0%	-0.73%	0	0.0%	0.00%
Planning Reserve	(500,000)	-100.0%	-0.37%	0	0.0%	0.00%
Winterization Reserve Phase Out	(350,000)	-100.0%	-0.26%	0	0.0%	0.00%
Engineering Reserve	(300,000)	-6.7%	-0.22%	100,000	2.4%	0.07%
Other Reserve Withdrawals	25,925	0.6%	0.02%	52,961	1.2%	0.04%
Provincial Offenses Act (POA)	(890,000)	-100.0%	-0.66%	0	0	0.00%
Investment Income	0	0.0%	0.00%	(500,000)	-13.3%	-0.35%
Other Corporate Revenue	(69,356)	-5.3%	-0.05%	5,615	-2.9%	0.00%
Total Corporate Revenue Change	1,066,431	2.6%	0.79%	1,230,003	2.9%	0.86%
Net Corporate Impact	1,218,465	5.3%	0.91%	578,933	4.8%	0.41%
Net Department & Corporate Impact	6,978,970	3.4%	5.19%	6,670,157	3.1%	4.67%
Less: Assessment Growth (Estimate)	4,130,432	3.17%	3.07%	3,825,785	2.75%	2.68%
Less: POA Regional Tax Shift	1,393,268					
Total	1,455,270		1.08%	2,844,372		1.99%

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B) Base Budget Revenue Review

As illustrated in the Base Budget Change Summary, 2011 revenues increased \$1.8m or 2.5% from 2010 levels and 2012 revenues increased \$1.7m or 2.2% from 2011 levels. These figures exclude any impact associated with assessment growth and base taxation adjustments. The primary factors contributing to the increases are as follows:

Supplemental Taxation

2011 increased \$700k, returning to pre-economic downturn levels. It is anticipated that supplemental taxes will plateau over the next few years due to the slow economic recovery and regional housing capacity allocation restrictions.

Funding from Reserves:

2011 increase of \$1.3m:

- The largest component of the increase is related to an increase in funding from the debenture reserve. This is due to change in reporting methodology, from a net basis to more specific account allocations. The debenture payment expense also increased and when consolidated, the net figure is \$9.5m, a \$1m increase over 2010 levels.
- Adjustments occurred in the Fleet and Parks reserves as a result of activity, departmental cost changes, and anticipated growth trends.
- A \$507k increase in the insurance reserve withdrawal to offset premium allocations.
- The finance from capital budget increased by \$240k to better reflect the historical trend in City's actual position.
- An in-house study was conducted in 2009 on the cost sharing of administration activities between the City and Water/Waste Water services. As a result, the increases in cost recovery are being phased in conservatively over time.
- There is also a \$450k increase in the Building Standards reserve, which is actually neutralized by a reduction in Building Standards revenue and increase in associated expenses.
- The above increases were offset by the following:
 - Decrease in funding from the elections reserve of \$985k, which is fully offset by a reduction in election expenses, resulting in a net zero impact.
 - Removal of the Planning reserve withdrawal, \$500k, as this funding is not anticipated to occur for the intended purpose of subsidizing Planning revenues to 100% full cost recovery.
 - Completion of the 2009 winter control contract increase three year phase-in. In 2011 the reserve withdrawal is reduced from \$350k to \$0.
 - Engineering reserve withdrawal adjustment based on a revised costing of the 3.5% subdivision fee activity.

2012 increase of \$1.7m:

- \$850k in adjustments occurred in the Engineering, Fleet, Building Standards, and CIL Recreation Land reserves and recoveries from Water/Waste Water services as a result of activity, departmental cost changes, and anticipated growth trends.
- \$521 increase in funding from the debenture reserve.

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- A \$200k increase in the insurance reserve withdrawal to offset premium allocations.
- The finance from capital budget increased by \$150k to reflect the increase in capital projects and the historical trend in City's actual position.

User Fees / Service Charges

2011 increase of \$770k:

- Fire & Rescue Services revenue increased \$136k due to projected increases in call out volume and retail service in the mechanical division.
- Clerk's revenue increased approximately \$117k, largely due to projected volume increases in licensing and committee of adjustment applications.
- Enforcement Services revenue increased approximately \$172k due to the planned implementation of in-house animal control services and associated new revenue expected from inter-municipal service agreements with King Township.
- Recreation revenues increased by \$461k largely due to the climbing demand for services in the new North Thornhill Community Centre and Vellore aquatics programmes. This increase is largely offset by similar expenditure value increases.
- Cultural Services revenues increased by \$85k due to the transfer of events activities and associated sponsorship revenue from Corporate Communications. This increase is met by a corresponding decrease in Corporate Communications.
- Public Works revenue increased by \$368k due to an increase in the regional WDO recycling grant based on the tonnage of waste diverted.
- The above increases were offset by the following:
 - Building Standards revenues decreased \$265k reflecting an anticipated drop in volumes due to regional level capacity issues and slow economic recovery. The reduction in revenue is neutralized by a corresponding increase in reserve funding.
 - Economic & Business Development revenue decreased \$265k as a result of actions stemming from the recently approved Economic Development Strategy, the conversion of VBEC to an independent entity and the elimination of the Tourism Strategy and associated sponsorship revenue.

2012 increase of \$447k:

- Clerk's revenue increased approximately \$102k, largely due to volume increase in licensing applications.
- Recreation revenues increased by \$657k largely due to continuing climbing demand for services in North Thornhill and the opening of a new fitness centre in the Vellore Community Center. This increase is largely offset by similar expenditure value increases.
- The above increases were offset by a \$366k decrease in Building Standards revenues reflecting a continued drop in volumes due to regional level capacity issues and slow economic recovery. The reduction in revenue is neutralized by a corresponding increase in reserve funding.

Corporate Revenues

2011 decrease of \$959k:

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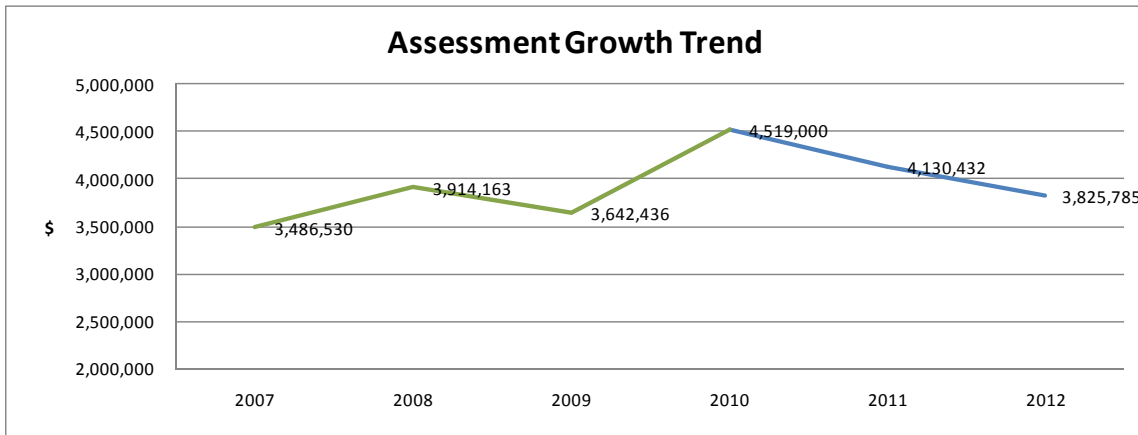
- The main cause for this decrease is due to the shift of Provincial Offences Act (POA) revenue to York Region, approximately \$890k. The POA revenue shift is intended to have an overall neutral impact on the City, as the Region will offset the municipal revenue it will now receive by reducing the regional tax levy by an equivalent amount in 2011.
- The remaining balance is related to a \$100k reduction in fines and penalties to better reflect the historical trend in City's actual position.

2012 decrease of \$494k:

- The reduction is the result of a change in investment income allocation methodology between the operating budget and the various reserve accounts. Beginning in 2012 a phased in approach will begin to allocate a more representative portion of the generated investment income to capital reserves.

Assessment Growth

For 2011 and 2012 assessment growth is estimated at 3.17% and 2.75%, respectively, which translates into roughly 3,400-3,800 new homes contributing an additional \$4.13m and \$3.83m in new property taxes.



This is somewhat lower than the 2010 3.7% growth figure and the 2012 projection is very reflective of the levels experienced in 2008/2009. Although not specifically allocated, these funds help offset the increasing service costs associated with community growth. To illustrate this point, listed below are just a few of the many growth additions planned for the City:

Growth Item	2011	2012
Road Km	19	18
Sidewalk Km	9.5	9.6
Waste/recycling stops	3300	3300
Streetlights	480	489
Parkland Ha	9	30
Trail Ha	2	3
New City Hall	1	
Fire Engines	1	1

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All the above additions require funds to operate and maintain service levels. Included in the Draft 2011/2012 Operating Budget are the following estimates of major staffing, contract, utility, maintenance, and associated renewal costs supporting growth.

<i>Growth Impacts</i>	2011 <u>\$ Change</u>	2012 <u>\$ Change</u>
<u>Maj. Expenditure Volume Increases</u>		
ARR carry forward	80,000	-
Fire Station 7-10	375,000	
Contracts	860,000	583,000
Utilities	101,000	211,000
Recreation	385,000	180,000
LTD- roads program	1,000,000	1,500,000
New facility future replacement cont	-	400,000
	<hr/> 2,801,000	<hr/> 2,874,000
<u>Maj. Revenue Volume Increases</u>		
Recreation	(90,000)	(285,000)
Other dept. net increases	<u>(309,167)</u>	<u>210,299</u>
	<hr/> (399,167)	<hr/> (74,701)
<i>Net Base Budget Growth Impact</i>	2,401,833	2,799,299
<i>Plus growth related ARR's</i>	2,410,000	3,115,000
<i>Less: Assessment Growth</i>	<u>(4,130,432)</u>	<u>(3,825,785)</u>
Assessment Shortfall	681,401	2,088,514

As illustrated above, these are some of the budget items associated with growth, which exceed the amount of additional taxation received through new assessment. This illustrated gap is very conservative, as it excludes the costs associated with new infrastructure co-funding, other infrastructure renewal, and associated overhead costs.

User Fees and Cost Recovery

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

A concern that revenue might not keep pace was anticipated and as a result the guidelines included a requirement for all user fees and service charges to be increased in relation to department cost increases and at minimum by the rate of inflation. This exercise is proposing to reduce the 2011/2012 Operating Budget by approximately \$313k in 2011 and \$143k in 2012, which is provided for in contingency until the proposed user fee / service charge increases are approved by Council. Separate reports on these topics will be provided for public input and Council consideration.

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Approximately 90% of the City's user fees are generated by the following 5 areas:

- Recreation
- Building Standards
- Planning and Committee of Adjustment (COA)
- Enforcement Services
- Licensing

As a result, the majority of the above departments have conducted various fee studies. Some studies resulted from legislative requirements and others were staff-initiated in-depth studies, resulting in the development of cost recovery policies, principals, and targets endorsed by Council. Detailed below is a summary of department and estimated full cost recovery ratios for these areas:

Department Budgeted Recovery (Figures in Thousands)	Recreation	Licensing	Enforcement Services	Planning	COA	Building Standards (OBC)	Building Standards (Non-OBC)
2011 Dept Budget Recovery							
Revenues	\$ 17,382	\$ 963	* \$ 1,997	\$ 2,432	\$ 402	** \$ 8,156	\$ 392
Expenditures	\$ 18,652	\$ 600	\$ 4,534	\$ 2,764	\$ 540	\$ 5,592	\$ 656
Subsidy/(Surplus)	\$ 1,269	\$ (364)	\$ 2,538	\$ 332	\$ 138	\$ (2,564)	\$ 264
Dept Budget Recovery Ratio	93%	161%	44%	88%	74%	146%	60%
2012 Dept Budget Recovery							
Revenues	\$ 18,039	\$ 1,082	* \$ 1,997	\$ 2,485	\$ 402	** \$ 8,389	\$ 392
Expenditures	\$ 19,078	\$ 625	\$ 4,729	\$ 2,888	\$ 557	\$ 5,814	\$ 682
Subsidy/(Surplus)	\$ 1,039	\$ (457)	\$ 2,732	\$ 403	\$ 154	\$ (2,575)	\$ 290
Dept Budget Recovery Ratio	95%	173%	42%	86%	72%	144%	57%
2010 Budget recovery Ratio	94%	159%	43%	95%	70%	161%	53%
Full Cost Estimate (ABC Model)							
2011 Full Cost Recovery Ratio							
Subsidy/(Surplus)	*** \$ 22,184	\$ 482	\$ 2,158	\$ 2,512	\$ 551	\$ 2	\$ 873
2011 Full Cost Recovery Ratio	44%	67%	48%	49%	42%	100%	31%
2012 Full Cost Recovery Ratio							
Subsidy/(Surplus)	*** \$ 22,621	\$ 424	\$ 2,325	\$ 2,688	\$ 591	\$ 19	\$ 879
2012 Full Cost Recovery Ratio	44%	72%	46%	48%	41%	100%	31%
2010 Budget Full Cost Recovery Ratio	44%	73%	42%	45%	41%	100%	28%
Policy Recovery Goal							
	95% Dept. Cost	100% Full Cost		100% Full Cost	100% Full Cost	100% Full Cost	

* Enforcement revenues no longer includes POA revenues. 2010 ratio adjusted for comparison purposes.

** Building Standards revenues include a \$650,000 draw from Building Standards Continuity Reserve in 2011 and \$1,250,000 in 2012.

*** Recreation Building & Facility costs approximately \$15.3M in 2011 and \$15.8M in 2012.

As illustrated above, most areas are recovering more than 70% of their department budgets.

- Building Standards continues to maintain a 100% building code full cost recovery target in 2011 and 2012 with a draw from the Building Standards Service Continuity Reserve in anticipation of lower volumes created by regional level capacity issues and slow economic recovery.
- Licensing also continues to achieve their target of recovering business licensing full costs in 2011 & 2012. It should be noted, the department full cost recovery illustrated is lower than 100% due to a portion of the department being devoted to risk management and some licensing fee restrictions are applied to lottery, livestock, and other licenses.
- Recreation is planning to recover 93% of their departmental costs, slightly lower than last year due to the impacts of HST on product demand. 2012 illustrates a 95% recovery, which is in line with their policy target.

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- Enforcement Services recovery has dropped from 64% to a low 40% figure, largely due to the shifting of Provincial Offenses Act (POA) revenue to the Region, as discussed in an earlier section of this report. However, adjusted comparisons illustrate the revised recovery ratios are relatively stable for 2011 and 2012. The recovery ratio is anticipated to improve over time with the implementation of the Administration Monetary Penalties initiative which is intended to streamline the process and improve City collection efforts. It should be noted, that a recovery policy is not in place for enforcement services, as this service is driven by compliance.
- Planning and COA revenues are falling significantly short of achieving the goal of full cost recovery, and falling slightly under department cost recover at almost 90% for Planning and mid 70% for COA. Fee increases are planned for 2011 and 2012, but they are intended to maintain or slightly improve recovery levels. The recovery shortfall is largely a result of declining application volumes caused by the slow economic recovery and housing capacity allocation restrictions. Moving forward, a discussion on the actions and timing to achieve the target or target reassessment is necessary.

As demonstrated above, most areas are recovering a large portion of their budgeted department costs and a significant portion of full costs. In addition, various benchmarking comparisons have been performed by departments and external consultants indicating Vaughan's recovery targets are on-par or better than neighbouring municipalities. This is another indication of the City managing its finances in a prudent manner.

C) Base Budget Expenditure Review

As illustrated in the Revenue and Expense Summary in Section 1 of the Attachment, total expenditures increased \$8.8m in 2011 and \$8.3m in 2012. The primary factors contributing to the increase in City expenditures are as follows:

Departmental Expenditures

2011 increase of \$6.53m, including the \$672k Library Board increase:

This represents an increase of 3.6% over the 2010 departmental budget, and largely due to the following items:

- Of the total departmental budget increase, approximately 80% or \$5.3m is related to changes to support the City's workforce. In addition to cost of living increases, approximately \$3.3m, the following increases occurred:
 - \$375k increase for the full-year impact of station 7-10 firefighters.
 - \$350k increase to top up the funding required for the implementation of 3/6/9 fire retention. This increase is being phased in over time with a declining offsetting balance spread over 2 years.
 - \$650k increase for staffing to perform animal control in-house. This cost is offset by a similar reduction in related contract costs.
 - The remaining balance is related to progressions, job-evaluations part-time surveys, market adjustments etc. Approximately \$100k is related to increases in the Library due to a 2010 management market survey.

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- The second largest component of the department expenditure budget increase is related to pressures from contract services (\$774k) and utilities (\$161k). These increases are typically the result of increasing demands on services due to growth and industry price obligations. Overall, contract service lines increased by 1.4% and are mainly related to waste management, winter control, ITM services, parks maintenance, etc. This figure is understated when compared to historical trends due to a \$700 reallocation of funds between contracts and labour accounts to perform in-house animal control services. Utilities increased 2.1%, which is much less than anticipated due to a \$360k savings in the natural gas budget resulting from energy conservation efforts.
- Insurance expense premiums and planned deductibles increased by \$507k or 19% as a result of recent negotiations and are related to an increase in facilities and shared use facilities. In line with the above, allocations to departments increased \$367k; the remaining balance is associated with corporate requirements. The above is offset by a reserve transfer netting the overall City budget adjustment to \$507k.
- The remaining balance is related to reductions in the base budget by management. These are mainly:

<u>Budget Saving Initiatives</u>	<u>Savings</u>
· Utilizing in-house staff for professional engagements	\$140k
· Utilizing contingent funds to phase in the partial impact of fire retention	\$300k
· Economic Development	\$100k
<hr/>	
	\$540k
<i>Excludes the following budget savings captured in previous labour/contract sections</i>	
· Improved energy conservation efforts	\$300k
· Efficiencies in ITM communication contracts	\$75k

2012 increase of \$6.54m, including the \$493k Library Board increase.:

This represents an increase of 3.5% over the 2011 departmental budget, and largely due to the following items:

- Of the total departmental budget increase, approximately 68% or \$4.5m is related to changes to support the City's workforce. The majority of the increase is related to regular cost of living increases. This increase is elevated over 2011 figures as the effective rate increases from 2.65% to 4.02%. In addition, benefit rates increased from 25.5% to 26% due to pressures on OMERS contributions and increasing EI and CPP thresholds. A small portion is also related to staff experience progressions.
- The second largest component of the department expenditure budget increase is related to pressures from contract services (\$1m) and utilities (\$470k). These increases are typically the result of increasing demands on services due to growth and industry price obligations. Overall contract service lines increased 3.2% and are mainly related to waste management, winter control, ITM services, parks maintenance, etc. Utilities increased 6%, due to associated price and volume increases. These figures are higher than the previous year increases as they are not masked by the reallocation of animal control service contract funds or reductions in natural gas due to conservation efforts, which occurred in 2011.

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- Insurance expense premiums and planned deductibles increased by \$200k or 6.3% as a result of recent negotiations and are related to an increase in facilities and premium adjustments. In line with the above, allocations to departments increased \$145k; the remaining balance is associated with corporate requirements. The above is offset by a reserve transfer netting the overall City budget adjustment to \$200k.

Corporate Expenditures

Corporate expenditures contributed to the remaining City expenditure increase, 2011 \$2.28m and 2012 \$1.81m. This represents an increase of 9.0% and 6.6% for 2011 and 2012, respectively. Explanations for the budget increase are as follows:

2011 increase of \$2.28m:

- Corporate and election expenses decreased by \$1.3m, mainly as a result of the \$985k budget removal for funds to administer the 2010 municipal election. This cost is fully funded by a transfer from the election reserve and therefore results in a net neutral budget impact. A \$500k increase is also experienced in corporate labour savings to phase in increases over 2 years to better reflect the historical turnover rate. The above reductions in corporate expenses are partially offset by increases in corporate insurance and a \$100k increase in the election reserve contribution to meet future election expenses, as approved by Council. Increases were also experienced in other minor accounts i.e. bank charges, etc.
- The repayment of long term debt increased by \$3.1m for debt previously issued primarily to fund major road projects. In part, a significant portion of the increase is due to a change in reporting methodology from a net basis to more specific account allocations. The debenture reserve also increased, and when combined, the net figure is \$9.5m, \$1.0m higher than 2010 levels.
- A \$487k expenditure increase is also experienced in the City's contingency account and relates to future negotiations and certain foreseeable events i.e. fee increases, corp. reorganizations, etc. Once the outcomes of these events are determined, balances will be reallocated to the appropriate department budgets.

2012 increase of \$1.81m:

- Corporate and election expenses decreased by \$1m, mainly as a result of the \$1m budget removal for City Hall funding, which reverts to LTD to fund related City Hall debenture payments issued in the fall of 2011. Corporate labour savings increased another \$500k, the final year phase-in, to better reflect the historical turnover rate. The above reductions in corporate expenses were partially offset by a \$400k increase in infrastructure contributions, as per policy, related to North Thornhill, Station 7-10, and fitness centre expansions. Minor increases were also experienced in other accounts i.e. tax adjustments, bank charges, joint services etc.
- The repayment of long term debt increased by \$2.0m for debt intended to be issued in 2011 primarily to fund major road projects. The debenture reserve also increased and when combined, the net figure is \$11m, \$1.5m higher than 2011 levels.
- An \$805k expenditure increase is also experienced in the City's contingency account and relates to anticipated negotiations and certain foreseeable events i.e. fee increases, corp. reorganizations, etc. Once the outcomes of these events are determined, balances will be reallocated to the appropriate department budgets.

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Expenditure Review – Degree of Flexibility

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

	2011			2012		
	Base Budget (\$)	% of Total Budget	Cumulative (%)	Base Budget (\$)	% of Total Budget	Cumulative (%)
Operating Expenditures						
Salaries and Benefits	119,829,743	55.9%	55.92%	123,794,327	55.6%	55.61%
Service Contracts	31,135,217	14.5%	70.46%	32,128,024	14.4%	70.04%
Long Term Debt	11,646,528	5.4%	75.89%	13,476,518	6.1%	76.09%
Reserve Contributions	10,766,379	5.0%	80.92%	10,657,816	4.8%	80.88%
Maintenance/Materials	8,448,652	3.9%	84.86%	8,518,636	3.8%	84.71%
Utilities & Fuel	7,966,337	3.7%	88.58%	8,436,977	3.8%	88.50%
Capital from Taxation	6,629,522	3.1%	91.67%	6,629,522	3.0%	91.48%
Insurance Expenses	3,147,000	1.5%	93.14%	3,347,000	1.5%	92.98%
Professional Fees (Incl. OMB)	2,275,982	1.1%	94.20%	2,276,985	1.0%	94.00%
Contingency	1,559,066	0.7%	94.93%	2,363,575	1.1%	95.06%
Sundry	1,400,000	0.7%	95.58%	1,450,000	0.7%	95.72%
All Other	9,465,875	4.4%	100.00%	9,537,829	4.3%	100.00%
Total Base Budget Expenditures	214,270,301	100.0%	---	222,617,209	100.0%	---

The summary above illustrates that the City has limited flexibility in any given year to significantly alter the City's cost structure in the short term. More than 75% of the costs are committed through collective agreements, service contracts, and financing arrangements. Other reductions will impact the maintenance and repair of the City's infrastructure.

Considering Factors Other Than CPI When Assessing the Budget

When assessing the Draft 2011/2012 Operating Budget, it is very important to put municipal cost increases into perspective. It is very common for residents to gauge a municipality's performance against the Consumer's Price Index (CPI), but there are 2 inherent pitfalls with this comparison.

1. Inflation rates try to capture cost increases and do not incorporate other non-cost related factors associated with a municipality such as growth, infrastructure repair, new services or initiatives, legislative requirements, revenue fluctuations, etc. 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 increased.
2. CPI is intended to measure the cost increases experienced by the typical Canadian household and includes retail items such as food, clothing, entertainment and other household purchases. Unlike an average Canadian household, municipal expenses are very labour, contract, and material intensive. **Therefore, there is not a strong relationship between CPI and municipal budget increases.** 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 (i.e. public sector collective bargaining settlement trends, machinery and equipment index, non-residential construction index, MTO tender price index, etc). An alternative approach would be using a municipal price index (MPI) based on applying relevant indices/indicators to the weighting of major expense categories. Using this approach, Vaughan's composite municipal price index, utilizing the expenditure structure illustrated in the above section, would be more inline with the table below.

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Component	% of Budget	Inflation Figure	Source	Weighted Average
Salaries and Benefits	54.0%	3.0%	Ministry of Labour - April 2010	1.6%
Contracts and Materials	19.0%	6.5%	Average Historical Increase (budget)	1.2%
Utilities and Fuel	3.0%	6.7%	Stat's Can. Nov. 2010 - Energy CPI	0.2%
Capital Funding	8.0%	1.2%	Construction Price Index - Sept.	0.1%
All Other	16.0%	1.4%	Core Inflation - Nov. 2010	0.2%
	100.0%			3.4%

Consideration must be given to all factors when assessing the budget and associated tax increases. It is important to note the City's total department and overall City expenses include growth impacts, which are not included in the above municipal price index. This clearly demonstrates Vaughan's solid and effective financial management, as stripping growth components from Vaughan's expenditure increase would yield cost increases below the above illustrated guide. Adding a 3.17% growth component to the municipal index would increase the percentage guide to 6.5%. Total City expenditure increases are beating the MPI adjusted percentage guide; clearly illustrating Vaughan is managing its finances within industry ranges and providing the tax payer with value.

Note: The Vaughan's Municipal Price Index (MPI) has increased over the 2010 index, 2.21%, due to increases in the salary & benefit, utilities and fuel, and construction cost sectors. This is a positive indication the economy is returning to historical activity levels.

D) Consideration of Additional Resource Requests

As indicated earlier in this report, the budget guidelines were complimented by a process that allowed departments to formally submit requests for essential resources not permitted by the budget guidelines for the Finance and Administration Committee and Council consideration. As a result, departments submitted over 90 additional resource requests with a total cost of over \$10.7m spread over 2011 and 2012. This figure includes the Library Board's additional resource requests totalling \$911k.

Demonstrating respect for the tax payer's dollar and recognizing the challenge of balancing requests for additional resources with limited funding resources, SMT initiated a process, which included developing a Director's working group, to prioritize and review additional resource requests. All additional resource requests were evaluated based on their merits and the following criteria:

- Mitigating municipal risk;
- Municipal value;
- Maintaining service levels;
- Achieving the Vaughan Vision initiatives, etc.

After considerable deliberation and review, SMT has finalized a recommended Additional Resource listing for consideration by the Finance and Administration Committee. The process infuses a high degree of objectivity and transparency, of which the end result is a more realistic and responsible list of additional resource requests based on a blend of associated municipal risk exposure, service levels, and the Vaughan Vision initiatives. It should be noted, that included in the list are internal funding offsets amounting to \$990k for 2011 and \$518k for 2012, demonstrating staff's ability to redirect existing resources. This provides another example of the City managing its finances in a prudent manner. It also includes \$1.5m in 2011 and \$2.8m in 2012 to support Vaughan's Vision and associated master plans, initiatives and strategies. Although 2013 is not part of the Draft 2011/2012 Operating Budget, items deferred beyond 2012

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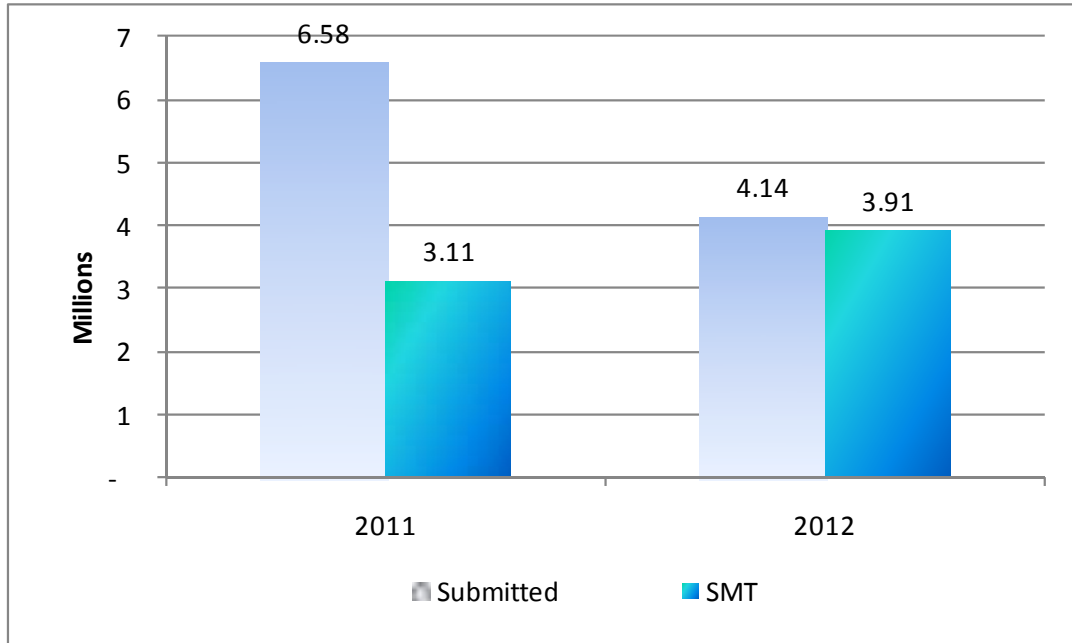
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will be considered during next year’s process for the years 2013 and 2014. This information is important, as it provides added visibility to our community stakeholders and decision makers. Additional information on the 2011 & 2012 requests are provided in the 2011/2012 Operating Budget Package attachment:

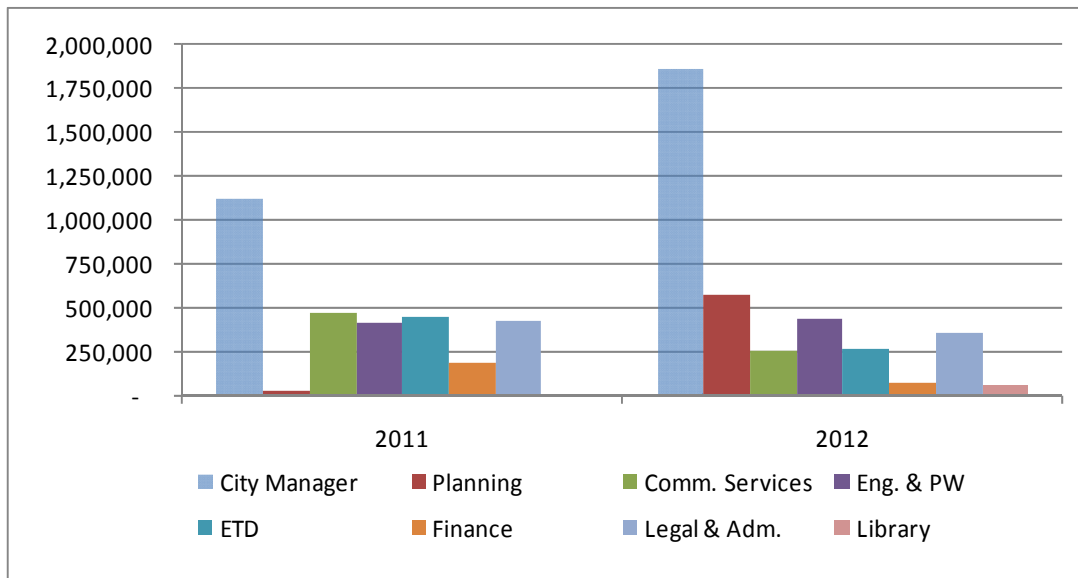
- Section A - Complete list of additional resource requests
- Dept. Sections – Recommended additional resource request business cases

The tables below illustrate a high-level summary of SMT’s ARR review.

SMT ARR Review vs. Submission Summary



SMT Additional Resource Requests by Year by Commission



2011 Additional Resource Requests

Senior Management Team Recommendations

#	Note 1	Department	Description	# of Positions	2011 Net FTE	Annual Cost	Offsets	Gapping	2011 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.	2012 Impact
2011 Base Budget Increase											1.08%	1.08%	
Zero Budget Impact													
A1		Building Standards	1 Plans Examiner (Zoning)	1	1.00	83,560	(83,560)		-	-	0.00%	1.08%	1,302
A2		Building Standards	1 Clerk Typist D	1	1.00	59,411	(59,411)		-	-	0.00%	1.08%	(925)
A3		City Financial Services	Finance Business / Project Manager	1	1.00	109,098	(109,098)		-	-	0.00%	1.08%	12,257
A4		Dev./ Transp.Eng.	Municipal Services Inspect.Erosion Sediment Cont	1	1.00	103,849	(103,849)		-	-	0.00%	1.08%	6,903
A5		Dev./ Transp.Eng.	Spadina Subway TTC Sr. Eng. Asst. (Contract)	1	1.00	101,907	(101,907)		-	-	0.00%	1.08%	-
A6		Engineering Services	Municipal Services Inspector	1	1.00	97,744	(97,744)		-	-	0.00%	1.08%	-
A7	✓	Enviro. Sustain.	Sustainability Coordinator (Contract Conv.)	1	-	79,749	(79,749)		-	-	0.00%	1.08%	7,892
A8		Fleet	Filing Clerk (FT Conv.)	1	0.31	43,916	(43,916)		-	-	0.00%	1.08%	3,300
Budget Impact													
1		Access Vaughan	Citizen Service Representatives	2	1.38	93,388	-		93,388	93,388	0.07%	1.15%	(6,116)
2	✓	Budgeting & FP	Budget Analyst	1	1.00	100,788	-		100,788	194,176	0.07%	1.23%	7,598
3		Buildings & Facilities	Mechanical Supervisor	1	1.00	110,945	-		110,945	305,122	0.08%	1.31%	7,947
4		Corporate Comm	Public relations staff	1	1.00	83,249	-		83,249	388,371	0.06%	1.37%	3,892
5		Development Planning	Urban Design Awards Program	-	-	30,000	-		30,000	418,371	0.02%	1.39%	(30,000)
6	✓	Eco. Dev	Research Coordinator	1	1.00	75,473	-		75,473	493,844	0.06%	1.45%	7,188
7		Enforcement Services	Licensing Enforcement Field Officer	1	1.00	84,493	(45,000)		39,493	533,338	0.03%	1.48%	4,252
8		Enforcement Services	Property Standards Officer	1	1.00	86,988	-		86,988	620,326	0.06%	1.54%	2,502
9		Engineering Services	Manager of Traffic Engineering	1	1.00	125,527	-		125,527	745,854	0.09%	1.64%	7,359
10		Engineering Services	Administrative Assistant	1	1.00	75,348	-		75,348	821,201	0.06%	1.69%	1,532
11	✓	Fire & Rescue Services	7-10 Engine Crew (6 FF & 4 Cap)	10	10.00	959,746	-		959,746	1,780,948	0.71%	2.41%	(10,200)
12		Fire & Rescue Services	Mechanic - Emergency Vehicle Technician	1	1.00	81,674	(25,000)		56,674	1,837,621	0.04%	2.45%	-
13	✓	Human Resources	Prof.Fees - Engagement Survey	-	-	50,000	-		50,000	1,887,621	0.04%	2.49%	-
14		Human Resources	Crossing Guard Coordinator (FT Conv.)	1	0.50	78,907	(33,595)		45,312	1,932,933	0.03%	2.52%	3,754
15	✓	Human Resources	Learning & Dev.Specialist	1	1.00	89,375	-		89,375	2,022,308	0.07%	2.59%	12,328
16	✓	Human Resources	Recognition Awards	-	-	15,000	-		15,000	2,037,308	0.01%	2.60%	-
17		Info & Tech.Management	ITM Security Analyst	1	1.00	99,888	-		99,888	2,137,196	0.07%	2.67%	5,551
18		Info & Tech.Management	Enterprise Data Architect	1	1.00	99,888	-		99,888	2,237,085	0.07%	2.75%	5,551
19	✓	Legal Services	Junior Lawyer OMB Contract	1	1.00	142,664	(112,220)		30,444	2,267,528	0.02%	2.77%	(2,389)
20		Legal Services	Law Clerk	1	1.00	67,885	-		67,885	2,335,413	0.05%	2.82%	4,133
21		Parks Ops	2 Park Attendants	2	2.00	145,386	(100,176)		45,210	2,380,623	0.03%	2.85%	9,292
22		Parks Ops	Assistant Foreperson (Horticulture)	1	1.00	97,788	-		97,788	2,478,411	0.07%	2.92%	109
23		Parks Ops	2 Temp Seasonal Employees	2	1.67	70,534	-		70,534	2,548,945	0.05%	2.98%	-
24		Purchasing Services	Buyer	1	1.00	87,861	-		87,861	2,636,806	0.07%	3.04%	(998)
25		PW / Roads	Roads Supervisor	1	1.00	108,545	-		108,545	2,745,351	0.08%	3.12%	10,697
26		PW / Roads	Sign Crew (2 Equipment Operators)	2	2.00	104,393	-		104,393	2,849,745	0.08%	3.20%	-
27		Recreation Culture	Vellore CC Fitness Centre Staff (Gapped)	2	0.17	173,648	-	(159,177)	14,471	2,864,215	0.01%	3.21%	166,889
28	✓	Recreation Culture	Diversity & Inclusivity Comm. Program	-	-	75,000	(25,000)		50,000	2,914,215	0.04%	3.25%	(60,000)
29		Recreation Culture	Special Events Coordinator	1	1.00	88,599	-		88,599	3,002,815	0.07%	3.31%	(6,500)
30	✓	Strategic Planning	Vision 2020 Strategic Plan Update	-	-	50,000	(15,000)		35,000	3,037,815	0.03%	3.34%	(15,000)
31	✓	Strategic Planning	On-Line Citizen Engagement Survey	-	-	75,000	-		75,000	3,112,815	0.06%	3.40%	(50,000)
Total of ARRs Recommended by Senior Management Team				47	42.03	4,307,216	(1,035,225)	(159,177)	3,112,815		2.32%		110,100

Total Tax Increase (1%=\$1,345,514)

2011 Base Budget Increase

Tax Increase due to ARR Recommended by Senior Management Team

3.40%

1.08%

2.32% Rounded

Note 1:

A check mark in this column indicates an ARR with a direct link to Vaughan Vision 2020 and/or a Master Plan.

2012 Additional Resource Requests
Senior Management Team Recognized

#	Note 1	Department	Description	# of Positions	2012 Net FTE	Annual Cost	Offsets	Gapping	2012 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.	2013 Impact
2012 Base Budget Increase											1.99%	1.99%	
Zero Budget Impact													
A1		Dev. Transp. Eng.	TDM Coordinator	1	1.00	106,401	(106,401)		-	-	0.00%	1.99%	(10,200)
A2		Dev./ Transp.Eng.	TTC Muni. Inspector Contract Position	1	1.00	108,122	(108,122)		-	-	0.00%	1.99%	(8,000)
A3		Engineering Services	Project Manager	1	1.00	101,141	(101,141)		-	-	0.00%	1.99%	-
A4		Engineering Services	Capital Design Team	2	2.00	182,789	(182,789)		-	-	0.00%	1.99%	580
Budget Impact													
1		Access Vaughan	Citizen Service Representatives	2	1.38	96,743	-		96,743	96,743	0.07%	2.06%	(9,000)
2		Buildings & Facilities	Vellore CC FC Facility Operator I -	1	1.00	68,039	-		68,039	164,781	0.05%	2.11%	5,756
3		Corporate Comm	Web Content Mgmt Position	1	1.00	87,591	-		87,591	252,372	0.06%	2.17%	(4,000)
4	✓	Dev. Planning	Zoning By-law Review Contract Staff	6	6.00	579,480	-		579,480	831,852	0.41%	2.57%	(17,101)
5		Dev. Transp. Eng.	Clerical Assistant	1	1.00	67,737	(20,000)		47,737	879,589	0.03%	2.61%	(7,571)
6	✓	Eco. Dev	Business Development Officer	1	1.00	87,573	-		87,573	967,162	0.06%	2.67%	-
7		Enforcement Services	Property Standards Officer	1	1.00	90,476	-		90,476	1,057,637	0.06%	2.73%	(2,584)
8		Engineering Services	Traffic Analyst	1	1.00	84,862	-		84,862	1,142,500	0.06%	2.79%	622
9		Engineering Services	Traffic Technician	1	1.00	58,487	-		58,487	1,200,986	0.04%	2.83%	429
10	✓	Fire & Rescue Services	Communication Operators	2	2.00	154,761	-		154,761	1,355,748	0.11%	2.94%	-
11	✓	Fire Services	Station 75 - Engine Crew (16 FF & 4 Cap	20	20.00	1,711,015	-		1,711,015	3,066,762	1.20%	4.14%	(10,200)
12	✓	Human Resources	HR Partner	1	1.00	103,341	-		103,341	3,170,104	0.07%	4.21%	(1,200)
13	✓	Human Resources	Learning/Dev.Specialist & Coordinator	2	2.00	165,436	-		165,436	3,335,539	0.12%	4.32%	(2,400)
14		Library	E-Media Pilot Specialist (Cont.) gapped	1	0.50	69,910	-	(34,955)	34,955	3,370,494	0.02%	4.35%	5,398
15	✓	Library	Resource Purchasing Power Protection		-	32,120	-		32,120	3,402,614	0.02%	4.37%	-
16		Parks Ops	Temp Seasonal Employees	2	1.67	35,267	-		35,267	3,437,881	0.02%	4.40%	-
17		Parks Ops	GPS - Sidewalk Snow Plow Machines		-	42,723	-		42,723	3,480,604	0.03%	4.42%	-
18		Purchasing Services	Sr. Technical Position	1	1.00	71,453	-		71,453	3,552,057	0.05%	4.47%	(740)
19		PW/Roads	Micro Milling		-	250,000	-		250,000	3,802,057	0.17%	4.65%	-
20		Recreation Culture	Special Events Supervisor	1	1.00	110,491	-		110,491	3,912,549	0.08%	4.73%	(6,500)
Total of ARRs Recognized by Senior Management Team				50	48.55	4,465,958	(518,454)	(34,955)	3,912,549		2.74%		(66,711)

Total Tax Increase (1%=\$1,429,453)

2012 Base Budget Increase

Tax Increase due to ARRs Recognized by Senior Management Team

4.73%

1.99%

2.74%

Note 1:

A check mark in this column indicates an ARR with a direct link to Vaughan Vision 2020 and/or a Master Plan.

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E) Future Outlook

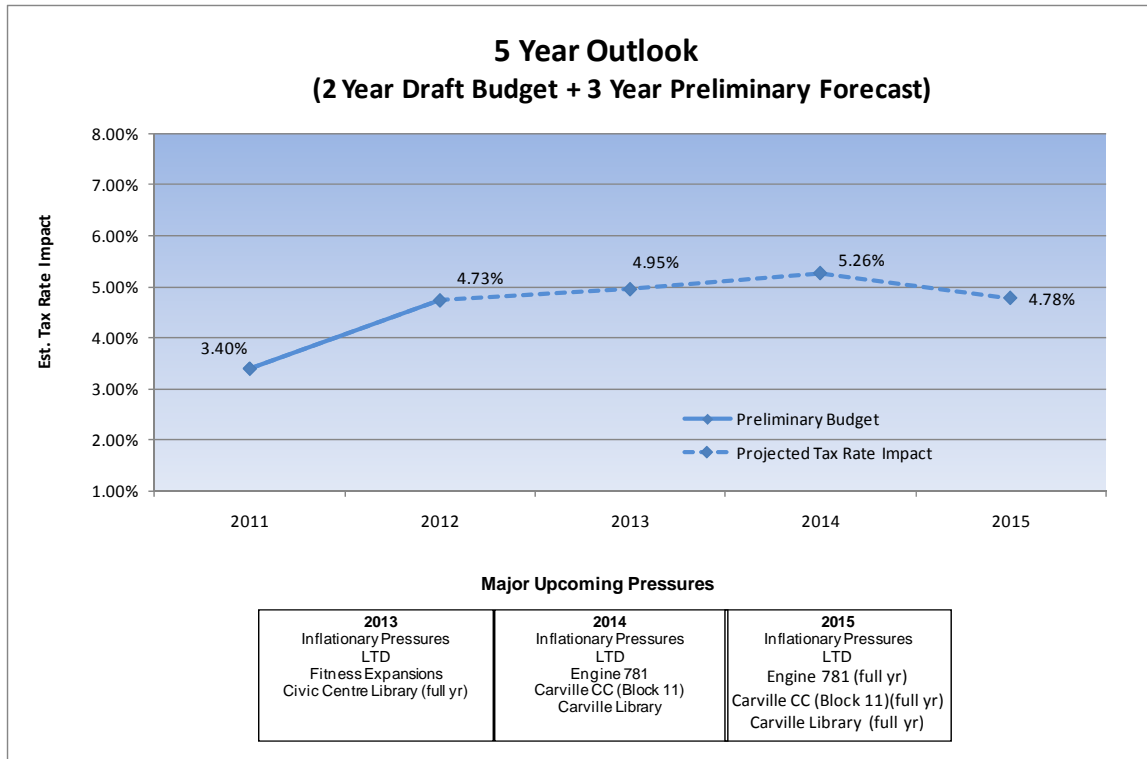
As mentioned in the opening paragraph, the City of Vaughan continues to be subjected to the many factors that put significant pressures on the property tax rate. The impacts of these pressures are often permanent and therefore require long-term funding solutions to ensure public services are sustainable in the future.

To illustrate these pressures, a 5 year outlook is provided below, built on the draft two year budget plus a three year preliminary outlook based on general assumptions and trends. The intent of this section is to incorporate a future focus and provide decision makers and citizens with more certainty about the direction of City services, finances, and tax levels. It is also important to consider that deferring costs to the following year will only magnify the anticipated pressures; this is particularly the case for 2013-2015, which will see the addition of two libraries, the Carville Community Centre, a fire engine for station 7-8, additional parkland, etc. The City's Financial Master Plan is scheduled for mid-year 2011, which will provide greater depth on these figures, policy recommendations, and further discussion regarding the City's infrastructure.

Infrastructure Funding

The prevailing theme throughout the long-range financial planning process was that infrastructure replacement is significantly under funded and an infrastructure funding strategy is essential to begin addressing the backlog of unfunded projects and future infrastructure requirements. This challenge and funding strategies were presented to Council in prior years.

Historically, the City of Vaughan and other municipalities in Ontario were not required to budget for amortization expense based on historical costs in annual budgets, but have rather budgeted for contributions to reserves and capital expenses based on analysis of short-term and long-term replacement cost, and affordability to the taxpayer. However, recent regulation now requires that municipal staff prepare a report on the differences between contribution and amortization expenses. This difference is not incorporated in the financial outlook, but as noted in the report "Impact of Budgeting for Amortization and Post-Employment Expenses", which was provided to Council September 2010, funding these future-oriented expenses will impact tax rate and user fees.



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Relationship to Vaughan Vision 2020

The Draft 2011/2012 Operating Budget is the process to allocate and approve the resources necessary to continue operations and implement Council's approved plans.

Regional Implications

There are no Regional implications associated with this report.

Conclusion

The City of Vaughan is becoming increasingly more sophisticated with each passing year and there is a need to broaden the budget horizon and unveil the future. The implementation of multi-year budgets will provide decision makers with added foresight and ability to proactively grasp future opportunities, address future challenges, and reduce blind spots by understanding the longer-term financial implications of present and past decisions. This is a very strategic approach intended to plan where the City's future resources should be focused to best support the City and generate public value.

The City has followed a very thorough process to minimize any tax increase while maintaining levels of service and meeting regulatory requirements. Very tight budget guidelines, approved by Council, were issued to all departments limiting increases to established commitments and pre-defined external pressures. In addition to the strict base budget guidelines, a number of additional resource requests were put forward by departments to maintain service levels, comply with regulatory requirements, and implement new initiatives. The Directors' Working Group and then Senior Management spent a considerable amount of time reviewing the operating base budget and prioritizing resource requests in order to develop a realistic and responsible financial plan for 2011 and 2012.

The resulting outcome of above efforts is illustrated below in the building the budget diagram.

BUILDING THE BUDGET

Components	2011		2012	
	Tax Rate Incr.	\$ (m)	Tax Rate Incr.	\$ (m)
Base Budget	1.08%	1.46	1.99%	2.84
ARR	2.32%	3.11	2.74%	3.91
<i>Subtotal</i>	3.40%	4.57	4.73%	6.75
<i>Hospital Levy</i>	1.36%	1.83	1.36%	1.94
Grand Total	4.76%	6.40	6.09%	8.69

Attachments

Attachment – 2011/2012 Operating Budget Package (Available in the Clerk's Department)

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

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EXTRACT FROM COUNCIL MEETING MINUTES OF JANUARY 25, 2011

Item 6, Report No. 1, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on January 25, 2011.

**6 GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) -
 DISTINGUISHED BUDGET AWARD**

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the City Manager, the Commissioner of Finance/City Treasurer, and the Director of Budgeting and Financial Planning, dated January 17, 2011:

Recommendation

The City Manager, the Commissioner of Finance/City Treasurer, and the Director of Budgeting and Financial Planning recommend:

That the following report and formal presentation on the receipt of the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) for the City's 2010 Budget be received.

Contribution to Sustainability

The GFOA Distinguished Budget Presentation Award encourages governments to prepare and issue budget documents of the highest quality. This is essential for our citizenry to be fully informed of the City's policies, corporate initiatives, and financial plans. Better budget documents also contribute to better decision making and enhanced accountability.

Vaughan has always taken the management and stewardship of public funds very seriously and continues to demonstrate financial leadership and discipline, ensuring residents receive value for their tax dollars. Obtaining the 2010 GFOA Distinguished Budget Presentation Award is another example of Vaughan's dedication to the pursuit of management excellence.

Economic Impact

Not applicable - There are no direct financial implications

Communications Plan

N/A

Purpose

The purpose of this report is to advise the Finance and Administration Committee of the receipt of GFOA's Distinguished Budget Presentation Award for the City's 2010 Budget. This is Vaughan's second consecutive year receiving this prestigious award.

Background - Analysis and Options

The Government Finance Officers Association (GFOA)

The Government Finance Officers Association is a nonprofit international professional association serving 17,600 government finance professionals throughout North America. It provides top quality publications, training programs, services, and products designed to enhance the skills and performance of those responsible for government finance policy and management.

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The GFOA has a very strong Canadian influence, which is demonstrated by Canadian's holding the Executive Board President position for the past two years. The current President is Mr. Len Brittain, Director of Corporate Finance, City of Toronto and the Past President was Mr. Paul Macklem, General Manager, City of Kelowna, British Columbia. There are also a number of other Canadian representatives serving on many GFOA policy committees

The GFOA's Distinguished Budget Award Program has been promoting the preparation of high quality budget documents for more 25 years. Currently, more than 1,000 governments of all levels across North America have received this award, including Canadian cities such as, Calgary, Vancouver, Winnipeg, Toronto and many others. Award recipients have pioneered efforts to improve the quality of budgeting and provide an excellent example for other governments throughout North America.

City of Vaughan receives the GFOA Budget Award

The Government of Financial Officers Association presented the Distinguished Budget Presentation Award to the City of Vaughan, Ontario for its annual budget for the fiscal year beginning January 1st, 2010. The award represents a significant achievement by the City of Vaughan, as it reflects the commitment of the municipality and staff to meet the highest principles of Government budgeting. In order to receive this budget award, the City of Vaughan had to satisfy nationally recognized guidelines for effective budget presentation. The 2010 budget document was rated by 3 independent reviewers on 27 criteria, covering 4 categories. These guidelines are designed to assess how well the budget document serves as:

- A policy document
- A financial plan
- An operational guide
- A communications device

Having successfully achieved this goal, the City and the Budgeting and Financial Planning Department have received certificates of recognition. Copies of these are enclosed as an attachment.

Relationship to Vaughan Vision 2020/Strategic Plan

Obtaining the 2010 GFOA Distinguished Budget Presentation Award is another example of Vaughan's dedication to the pursuit of management excellence.

Regional Implications

There are no Regional implications associated with this report.

Conclusion

The Distinguished Budget Presentation Award Program actively strives to assist organizations achieve the goal of improving their budget document. As a program participant we benefit from access to a wealth of financial guidance and independent budget document review. This is extremely helpful and aides the City in its pursuit of developing a better budget document, which contributes to better decision making and enhanced accountability.

The City of Vaughan Budgeting and Financial Planning Dept is extremely proud to receive its second consecutive Distinguished Budget Presentation Award from the GFOA for its 2010 Budget.

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Attachments

Certificates of Recognition

Report prepared by:

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

(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 JANUARY 25, 2011

Item 7, Report No. 1, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on January 25, 2011.

7

PROGRAM REVIEW

The Finance and Administration Committee recommends approval of the recommendation contained in the following resolution submitted by Mayor Bevilacqua, dated January 17, 2011:

Member's Resolution

Submitted by Honourable Maurizio Bevilacqua, Mayor

Whereas Vaughan residents work hard to earn a living; and

Whereas the City of Vaughan wants to provide value for their property tax dollars; and

Whereas residents deserve to know, that as a council, we are providing leadership in the area of fiscal responsibility;

It is therefore recommended that a Program Review framework be developed based on addressing the following questions:

- Is the expenditure still in the public interest?
- Is the delivery of the service a legitimate and necessary role for government?
- Is the current municipal role appropriate or should the program be realigned with other levels of government?
- Should it be delivered in partnership with the private or voluntary sector?
- How can it be re-designed for efficiency?
- Is it affordable given our financial situation?
- How does this service fit with the public's priorities?

And that staff be directed to report back to Council with a framework for implementing a Program Review in 2011.

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Item 8, Report No. 1, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on January 25, 2011.

8

NEW CITY HALL – INTERIM UPDATE

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Community Services and the Commissioner of Finance/City Treasurer, dated January 17, 2011:

Recommendation

The Commissioner of Community Services and the Commissioner of Finance/City Treasurer, in consultation with the Commissioner of Legal and Administrative Services & City Solicitor and the City Manager recommend:

1. That a comprehensive report detailing the estimated final costs of, and proposed additional funding sources for, the new City Hall be provided to Council no later than February 2011; and
2. That in the interim staff be authorized to issue payment for City Hall related invoices including the November 2010 and the December 2010 Maystar General Contractors Inc. invoices.

Contribution to Sustainability

The City of Vaughan's new City Hall is an eco-friendly sustainable building designed to meet a Gold standard in Leadership in Energy and Environmental Design (LEED).

Economic Impact

Payment of the November 30, 2010 Maystar invoice will result in payments for the City Hall project exceeding the overall approved budget of \$107 million by approximately \$3 million. The invoice for December 31, 2010 has not been received by the City of Vaughan, therefore the additional amount is undetermined.

Communications Plan

The new City Hall and its environmental and sustainable attributes has received extensive coverage in numerous publications. The media has been advised that a comprehensive report will be provided to Council in February 2011. In the interim, key messages have been developed.

Purpose

The purpose of this report is to advise Council that payment of the November, 2010 Maystar invoice (Payment Certificate 46) will result in total payments for the overall City Hall project exceeding the approved budget of \$107 million.

Background - Analysis and Options

The new City of Vaughan City hall, which was designed by KPMB Architects and is being constructed by Maystar General Contractors Inc. (Maystar) is nearing completion. The Building and Facilities Dept. has submitted Payment Certificate #46 for payment to Maystar for work done on the new City of Vaughan City hall for the month of November 2010. This payment will result in payments for the City Hall exceeding the overall approved budget of \$107 million by approximately \$3 million.

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The City's practice, in the event that a capital project exceeds the approved budget by \$10,000 or more is to provide a report to Council setting out the circumstances leading to the budget overage, and making a recommendation regarding the additional funding sources to cover the additional amount. The rationale for this approach is; when additional work has been determined by the City's consultant or staff to be necessary to complete the Council approved project; when the project is underway; and when the necessary work is completed, and gives rise to an invoice that is certified and approved by an external consultant and/or staff; the contractor and/or the subtrades should not be penalized, as this may result in project delays or litigation. Consistent with this practice, it is staff's intent that a comprehensive report detailing the estimated final costs of the new City hall, and recommendations regarding proposed additional funding sources be provided to Council at the earliest opportunity, following clarification with the contractor and architect of the estimated final cost of the project. Notwithstanding this practice, staff have brought forward the interim report in the interests of openness and transparency for this Important project.

In the interim, the work has been done, and certified, and the payment for the November payment certificate is due. Under the terms of the contract with Maystar, payment for work completed must be made within 15 days after receipt of a certificate for payment issued by KPMB. The Commissioner of Community Services, the Commissioner of Finance and the Commissioner of Legal are of the opinion that it is in the City's best interest to proceed with the payment, as the payment certificate has been confirmed and duly authorized by the architect, KPMB and the Commissioner of Community Services. It may also be necessary to process and pay New City Hall related invoices, including the December 31, 2010 Maystar invoice, in advance of the detailed report to Council, depending on the timing of the next invoice, and the Committee and Council schedule.

Relationship to Vaughan Vision 2020/Strategic Plan

N/A

Regional Implications

There are no Regional implications associated with this report.

Conclusion

Additional work has been determined by the City's consultant or staff to be necessary to complete the Council approved project, and as the necessary work is completed, therefore, consistent with the City's practice it is appropriate to continue to make payments and provide Council with a comprehensive report.

Attachments

N/A

Report prepared by:

Marlon Kallideen
Commissioner of Community Services

Barb Cribbett, CMA
Commissioner of Finance/City Treasurer

(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 JANUARY 25, 2011

Item 9, Report No. 1, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on January 25, 2011.

9

OTHER ITEMS CONSIDERED BY THE COMMITTEE

9.1 ELECTION OF CHAIR

Councillor Shefman was appointed Chair of the Finance and Administration Committee for 2011.