

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MARCH 8, 2011

Item 1, Finance Report No. 4– Page 2

Communications Plan

The Finance and Administration Committee meetings are advertised and open to the public. In addition, the final public meeting to consider the Capital Budget will be advertised and a press release will be issued following Council approval.

Purpose

The purpose of this report is to provide the Members of the Finance and Administration Committee with the Proposed 2011 Capital Budget.

Background - Analysis and Options

In the preparation of the Capital Budget a number of issues were taken into consideration. The pressures of maintaining existing infrastructure and growth requirements are balanced against available funding, the impact on future operating budgets and the staff resources to undertake and manage the capital projects.

To assist staff in the development of the annual Capital Budget, Council approved a series of key financial policies and they are listed as follows:

- 1) Level of Discretionary Reserves
- 2) Level of Working Capital
- 3) Level of Debt
- 4) Requirement of Funds to be on hand prior to Project Approval

The key financial policies have had a positive impact on the financial stability of the City of Vaughan. The following summarizes the key financial information compared to targets approved by Council:

	<u>Estimated Dec. 31, 2010</u>	<u>Approved Target</u>
Net Development Charge Balance	\$78.4M	N/A
Discretionary Reserve Ratio	67.4%	> 50% of own source revenue
Working Capital	11.8%	> 10% of own source revenue
Debt Level *	5.5%	< 10% of own source revenue

*Includes Commitments for OSA and Vaughan Sports Complex.

Based on the above noted financial policies, Finance staff have assessed the availability of funding and established a funding line within each funding source.

The total 2011 capital requests submitted by departments equal \$90,571,157. Following the initial submissions, Finance staff met with the individual departments to review the submissions and clarify available funding. Departments then prioritized the capital projects within each funding source and the Capital Budget was submitted to SMT for review.

Following the staff review process, the proposed 2011 Capital Budget submission totals \$62,236,712 and is funded from development charges, reserves, taxation, grants and miscellaneous funding.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MARCH 8, 2011

Item 1, Finance Report No. 4– Page 3

Development Charges Reserves

For the projects funded from Development Charges, the following guidelines previously approved by Council were taken into consideration:

- 1) No service category with a positive balance should be placed into a pre-financing position (requirement of funds to be on hand);
- 2) With the exception of Management Studies, no service category pre-financing should be increased; and
- 3) Commit no more than 50% of anticipated revenue for any service category that is already pre-financed.

Each department has prioritized the capital projects within each development charge funding source. Based on the above endorsed guidelines, Finance staff have assessed the funding availability and established a specific funding line for each service.

Capital Reserves & Reserve Funds

Each department has prioritized the capital projects within each capital reserve and reserve funds funding source. Based on the endorsed financial policy/guidelines that the Discretionary Reserve Ratio is greater than 50% of own source revenue and that the requirement of funds to be on hand prior to project approval, Finance staff assessed the funding available and established a specific funding line for each of the capital reserves and reserve funds. Based on these funding lines, the projected 2011 Discretionary Reserve Ratio is 63.1% of own source revenues.

Taxation

Projects identified from taxation funding are non-growth related projects that have no other source of financing such as repairs, technology replacement, etc. In addition, included in the funding request is the 10% co-funding requirement of the Development Charges Act for certain growth related services (Libraries, Recreational Complexes, Parks, Vehicles and Growth Related Studies). The 2011 proposed Operating Budget allocated \$6,629,522 to taxation funded capital projects. This amount is consistent with prior years. The 2011 taxation funded capital projects requests total \$23,392,950. Senior staff reviewed the \$23,392,950 in requests and prioritized projects totaling \$6,157,525 (Attachment 5) leaving an unallocated balance of \$471,997 which will be subject to further staff review.

Taxation Funding Available	\$6,629,522
Funding for recommended projects	<u>\$6,157,525</u>
Unallocated Balance available	<u>\$471,997</u>

Of the \$6,157,525, \$1,117,152 related to development charges co-funding required under the Development Charges Act. Any approval of taxation funded capital requests in excess of \$6,629,522 would have an additional impact on the 2011 Operating Budget and the property tax rate.

Municipal Gas Tax Funds (AMO)

Eligible infrastructure under the Municipal Gas Tax Funding Agreement are projects that are environmentally sustainable municipal infrastructure projects.

The municipality must clearly demonstrate that the funding used for a project is incremental and the funding either enabled a project implementation, enhanced its scope or accelerated its timing. The objective of the Gas Tax Program is to provide municipalities with funding for infrastructure investments that promote cleaner water and air and reduced greenhouse emissions.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MARCH 8, 2011

Item 1, Finance Report No. 4– Page 4

Reconciliation of funds received and committed is as follows:

AMO Gas Tax Funds received to-date	\$22,629,993
Less: Commitments	<u>\$12,932,843</u>
Balance available for Eligible Projects	<u>\$9,697,150</u>

Staff have reviewed the list of capital projects submitted and with concurrence of AMO staff have identified a number of capital projects eligible under the Municipal Gas Tax Funding Agreement totaling \$9,627,825 as identified above the Gas Tax Reserve funding line. Further expenditure plans will be provided as future gas tax revenues are received.

Operating Budget Implications

The Proposed 2011 Capital Budget funding lines have been recommended. Should Council approve the capital projects identified above the funding lines, the estimated future operating cost implication is estimated at \$526,960 or 0.39% in property tax increase when the projects are complete. This excludes any lifecycle costs associated with the projects.

Reserve Continuity Schedule

The Preliminary Continuity Schedule of Capital Reserves and Development Charges (Attachment 6) identifies all the City reserves and deferred revenue accounts (Development Charges) and illustrates the estimated balance at the end of 2010. The Continuity Schedule of Capital Reserves and Development Charges is useful for tracking reserve balances and ensuring funds are on hand prior to project approval.

Relationship to Vaughan Vision 2020/Strategic Plan

The budget process links to the Vaughan Vision 2020 through the setting of priorities and allocation of resources.

Regional Implications

Not applicable

Conclusion

The City Manager with the Senior Management Team and Finance staff have reviewed the 2011 capital submissions and established priorities and appropriate funding lines. The proposed 2011 Capital Budget is \$62,236,712 funded from various funding sources.

The operating budget implication for the proposed 2011 Capital Budget included in this report is \$526,960 or approximately 0.39% property tax increase when the projects are complete.

Attachments

- Attachment 1 – Proposed 2011 Capital Budget Expenditure Summary
- Attachment 2 – Proposed 2011 Capital Budget Funding Summary
- Attachment 3 – Proposed 2011 Capital Budget Projects Recommended
- Attachment 4 – Proposed 2011 Capital Budget Funding other than Taxation
- Attachment 5 – Proposed 2011 Capital Budget Funded from Taxation
- Attachment 6 – Preliminary Continuity Schedule of Capital Reserves and Development Charges

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MARCH 8, 2011

Item 1, Finance Report No. 4– Page 5

Report prepared by:

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

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

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MARCH 8, 2011

Item 2, Report No. 4, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on March 8, 2011.

2

COUNCIL EXPENDITURE BUDGETS

The Finance and Administration Committee recommends that this matter be deferred for consideration to the Finance and Administration Committee meeting of March 1, 2011.

Recommendation

The Council Budgets Task Force recommends:

1. That Option #6 as described in the attached report be approved; and
2. That the Council Member 2011 budgets be adjusted accordingly.

Contribution to Sustainability

N/A

Economic Impact

There are no economic impacts of this report, as the option proposed by the Council Budgets Task Force does not result in an increase in overall Council budgets.

Communications Plan

N/A

Purpose

The purpose of this report is to convey to the Finance and Administration Committee the Council Budgets Task Force's preferred option for allocating funds to discretionary Council Member budgets.

Background - Analysis and Options

On February 7, 2011, the Finance and Administration Committee recommended that a sub-committee composed of Councillors Carella, DeFrancesca, Iafrate and Racco be established to address the issues raised by Members of Council with respect to Council Expenditure Budgets. The sub-committee was directed to report back to the Finance and Administration Committee meeting of February 22, 2011.

The sub-committee (the Council Budgets Task Force) met on February 11th and February 16th to consider options that would address the issue of allocation of budget funds to Council discretionary budgets.

Following the discussion at the February 11th meeting, Finance staff provided 7 options for the Task Force's consideration on February 16th. The options illustrated various methodologies for allocating additional funds to the Ward Councillors.

The Council Budgets Task Force has recommended Option #6, as set out in the attached report. Pursuant to the Procedural By-law, a matter considered by a sub-committee that requires a decision of Council shall be separately reported to the appropriate committee, which is the purpose of this report.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MARCH 8, 2011

Item 2, Finance Report No. 4– Page 2

Relationship to Vaughan Vision 2020/Strategic Plan

N/A

Regional Implications

There are no Regional implications associated with this report.

Conclusion

The Council Budgets Task Force's has recommended Option #6, as set out in the attached report.

Attachments

Report to the Council Budgets Tax Force Meeting – February 16, 2011

Report prepared by:

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.)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MARCH 8, 2011

Item 3, Report No. 4, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on March 8, 2011.

3

CONSIDERATION OF AD HOC COMMITTEES

The Finance and Administration Committee recommends that the following be received:

- 1) Council Budgets Task Force, Report No. 1, meeting of February 11, 2011; and**
- 2) Council Budgets Task Force, Report No. 2, meeting of February 16, 2011.**

(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.)