

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 28, 2011

Item 1, Report No. 14, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on June 28, 2011.

#### **1 2012-2013 CAPITAL BUDGET GUIDELINES & TIMETABLE**

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 June 20, 2011:

##### **Recommendation**

The Commissioner of Finance/City Treasurer and the Director of Reserves & Investments, in consultation with the City Manager recommends:

That the attached 2012-2013 Capital Budget Guidelines & Instructions and the 2012 Capital Budget Timetable be approved.

##### **Contribution to Sustainability**

The City of Vaughan Capital Budget process is an allocation of resources to achieve the City's objectives and priorities while maintaining a strong position of financial sustainability.

##### **Economic Impact**

The economic impact of the 2012-2013 Capital Budget will be fully determined after receipt of the department capital budgets.

##### **Communications Plan**

Departments will receive the budget guidelines, instruction package and timetable shortly after the capital budget guidelines are approved by Council.

As part of the budget process and integral to building the budget, opportunities for public engagement, consultation and input will be available, with appropriate notice provided. These opportunities consist of the following:

- ❖ Information posted on the City website
- ❖ Public Finance & Administration Committee/Council meetings held throughout the process
- ❖ A public input meeting prior to final budget approval

##### **Purpose**

The purpose of this report is to obtain Finance and Administration Committee's approval for the 2012-2013 Capital Budget timetable and guidelines.

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

The City of Vaughan Capital Budget process provides a forum for long-term planning and establishing construction and service priorities for the future. Starting in 2012, the City will be moving to multi-year capital budgeting with a two year (2012 & 2013) capital budget. For the 2013 budget cycle, the Capital Budget will increase to a four year budget (2013 to 2016), and will then align with the 2013 to 2016 Operating Budget. The proposed guidelines provide stability and balances the need for service with affordability and the requirement to meet the changing economic conditions.

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In preparing the 2012-2013 Capital Budget, departments should focus on projects that maintain a standard of repair and maintenance, general efficiency, generate cost savings, the availability of staff resources to complete their capital plan and the status of the outstanding existing capital projects and the timing of their completion before requesting funding for new projects. Preliminary results for the year ended December 31, 2010 indicate that there are 448 open capital projects at year end 2010, with approximately \$123 million or 22% unspent, roughly the equivalent of 2 capital budget years. A thorough review of open projects will take place prior to submission of new 2012-2013 requests and priority will be given to a focus on completing outstanding capital projects rather than new funding for additional projects.

The 2012-2013 Capital Budget Guidelines & Procedures (Attachment 1) and the 2012-2013 Proposed Capital Budget Timetable (Attachment 2) have been prepared with the objective of an early 2012 approval. All capital projects will be reviewed within the applicable funding source(s) based on the criteria outlined in the 2012-2013 Capital Budget Guidelines & Procedures, corresponding reserve by-laws where applicable and all City of Vaughan financial policies.

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

This report is consistent with the priorities previously set by Council in Vaughan Vision 2020; particularly Ensure Financial Sustainability.

#### **Regional Implications**

This is not applicable to this report.

#### **Conclusion**

Finance and Administration Committee review and approval of the 2012-2013 Capital Budget Guidelines and Timetable forms the basis for staff to develop the 2012–2013 Capital Budget for Council's deliberation in the fall of 2011.

#### **Attachments**

Attachment 1 – 2012-2013 Capital Budget Timetable  
Attachment 2 – 2012-2013 Capital Budget Guidelines

#### **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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**EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 28, 2011**

Item 2, Report No. 14, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on June 28, 2011.

**2**

**PLANNING FOR THE FUTURE**  
**2012 - 2014 OPERATING BUDGET & BUSINESS PLANNING GUIDELINES**

**The Finance and Administration Committee recommends:**

- 1) That the recommendation contained in the following report of the Commissioner of Finance/City Treasurer, and the Director of Budgeting & Financial Planning, dated June 20, 2011, be approved; and**
- 2) That staff provide a report on options available to those residents who cannot afford the City's programs/services.**

**Recommendation**

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

- 1) That the Operating Budget & Business Planning Guidelines, summarized in this report be approved; and
- 2) That Attachment #1 – Operating Budget Timetable, be approved.

**Contribution to Sustainability**

Sustainability by definition focuses on the ability to maintain an activity over an extended time horizon. Budgeting is the process of allocating limited resources to achieve the City's objectives and established priorities. Responsible budgeting allocates resources in a way that balances needs and aspirations of the present without compromising the ability to meet those of the future. The proposed operating budget approach seeks to minimize the current year funding pressures, while meeting the requirements of sustainability.

**Economic Impact**

The economic impact of the 2012 – 2014 Operating Budget will be fully determined after receipt of the departmental operating budgets.

**Communications Plan**

Departments will receive the budget guidelines, instruction package and timetable shortly after the operating budget guidelines are approved by Council. In addition, a kick-off meeting and department working sessions will be offered to assist departments in preparing their departmental budgets.

As part of the budget process and integral to building the budget, opportunities for public engagement, consultation and input will be available, with appropriate notice provided. These opportunities consist of the following:

- ❖ Information posted on the City website
- ❖ Public Finance & Administration Committee/Council meetings held throughout the process
- ❖ A public input meeting prior to final budget approval

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In addition to the above, the City of Vaughan is undertaking a number of strategic initiatives which incorporate significant public engagement. Although separate processes, public feedback obtained at these events migrate into the budget decision making process.

#### **Purpose**

The purpose of this report is to obtain the Finance & Administration Committee's approval for the operating budget & business planning timetable and guidelines. The approach, guidelines and actions recommended represent prudent management practices and are appropriate given the demand for services is increasing, while at the same time the City has very limited resources.

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

##### **Financial sustainability always 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. 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 tremendous value by offering some of the lowest property tax rates in York Region and the Greater Toronto Area, while providing high quality services to the community.

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 pressure 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, typically taxation.

##### **Continued healthy Canadian performance - economic update**

Based on TD economics quarterly economic forecast, the Canadian economy looks to be on solid footing for 2011 and 2012. Overall, economic growth projections remain moderately optimistic and are driven largely by export and business investments. With the economy returning, the Bank of Canada is expected to increase interest rates to counter inflation. This could bode well for the City's investment portfolio, but could be offset by pressure on debt costs. The Canadian dollar is expected to maintain its parity level, supported by higher interest rates and strong commodity demand. Economic challenges expected in the future cluster in the areas of personal indebtedness, flat housing markets, and waning fiscal stimulus. Trends in higher interest rates, the changing mortgage insurance rules, and high personal indebtedness has the potential to impact on Vaughan's housing market. Furthermore, it is anticipated that last year's economic momentum will illustrate lower than expected provincial and federal deficits, which may start a prolonged period of Federal/Provincial government spending restraint and stimulus recovery. Its unsure how this could impact on grants and funding the City receives. Despite the growing confidence in Canada's economy there is still great economic uncertainty and risk due to unrest in the Middle East, European fiscal problems, rising inflation, and the US dependency on stimulus efforts. The above information is relatively global and is intended to provide a general economic context, which may not reflect Vaughan's micro economic situation.

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#### Planning for the future

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. 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, the budget guidelines continue to incorporate a future focus to provide citizens with more certainty about the direction of City services, finances, and tax levels. The operating budget guidelines consist of the following actions:

#### Managing our future

1. Resourcing our vision "Corporate Planning Process"
2. Looking to the future with multi-year budgets
3. Managing operations through business planning and measures

#### Managing tax increases

4. Controlling budget pressures
5. Strict process to evaluate funding requests
6. User fee reviews to reduce the tax burden
7. Zero impact adjustments
8. Exploring opportunities through program reviews
9. Thorough multi-layered review process

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 to include very specific increases, typically related to predetermined agreements, contracts or Council approvals. There is no across the board increase for inflation and no automatic increase for new staffing. All new funding requests require business cases which are thoroughly reviewed.

Further details with respect to each of the actions are provided in the following sections.

#### **1. Resourcing our vision – corporate planning process**

New to this year's budget process is the implementation of a more holistic corporate planning process, which further integrates the strategic planning and financial planning processes. The benefits of this step are numerous, but primarily:

1. To ensure an achievable and resourced strategic plan
2. To ensure resource allocation is guided by the City's vision and strategic themes
3. To better communicate the City's direction and focus

Over the past number of months, the City Manager, the Senior Management team and the Directors have been reviewing the City's strategic plan. Out of these discussions strategic priority themes have been identified and strategic initiatives to support the themes. The objective is to focus the organization and align resources on important City initiatives.

Due to the compressed corporate planning timetable and the timing of committee report submission dates, specific detail on priority themes and initiatives is provided in item #2 of the June 13<sup>th</sup> Key Priorities and Initiatives Committee Agenda, titled Vaughan Vision 2020 Strategic Plan Revision, which is subject to Committee and Council deliberation and approval. Priority themes and initiatives illustrated in that report are as follows:

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1. Ensure a high performing organization

- Undertake a program review
- Further evolve performance indicators
- Additional operational/business reviews

2. Manage corporate assets

- Develop and implement a corporate wide asset management system

3. Manage growth & well being

- Develop a plan to build a dynamic Vaughan Metropolitan Centre

Council approved themes will be incorporated in the department instruction package and distributed to all departments. Each priority initiative will be assigned a champion, timeframe, and who is responsible for the coordination and completion of the business case and associated resource requests. These requests will be discussed and evaluated during the initiating phase, which involves the evaluation, prioritization, and approval of resourcing plans.

#### **2. Looking to the future with multi-year budgets**

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. Last year the concept of multi-year budgeting was successfully introduced. This action provides decision makers with added foresight and the 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 generate discussion on where the City's future resources should be focused to best support the City's vision, operationalize strategies, generate public value, and address pertinent challenges. It is also a critical component of the above discussed corporate planning process. This year's budget process will be no easy task as the recognized 2012 budget reflects an \$8.5m funding requirement, equivalent to a 6.07% tax increase on the average home. This figure is expected to change as estimates are refined and staff acclimatizes to the extended budgeting period.

The City will be developing a three year budget for this process, and is on track to achieve the goal of a four year rolling budget next year. The purpose of the phased in approach is to provide an opportunity for the City to adapt to the process and adjust as required. Departments are well positioned for this task as a result of recent internal developments in business planning, master planning, long-range forecasting, base budget automation, etc. Furthermore, discussions with departments indicate strong support for this initiative and information. It should be recognized that assumptions, estimates and uncertainty are commonplace when predicting future budgets and these factors may change as new information becomes available. For this reason, it is suggested that Council only approve the current year budget and recognize future budgets. This will provide a future flexibility to review and adjust budgets before approval. After the initial stages, budget decisions should become easier and flow naturally as future requirements are discussed and adjusted over multiple processes before approval.

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**3. Managing operations through business planning**

Business Plans will continue as part of the operating budget process to help establish and reinforce connections between strategic priorities, operational plans and resources. As a result of implementing multi-year budgeting, business plans will need to reflect this timeframe in order to align department objectives, measures, and pressures within the budget horizon. This information compliments the budget process and plays an important role in evaluating department efficiency, effectiveness and productivity through the use of objective tracking and performance measures. This information plays a critical role in budget deliberations by providing a platform to better understand department pressures and an objective basis for allocating funding. The Senior Manager of Strategic Planning will be intricately involved with this process and assist with updates and refinements.

**4. Controlling budget pressures**

For the 2012-2014 budget process, all account budgets will remain at prior year budget levels with the exception of established commitments and pre-defined external pressures. This action will limit the base budget increase to the following items:

- Council approved employment agreements;
- Full year impact of prior year decisions;
- Council authorized recommendations;
- Supported external service contract commitments;
- Established utility & insurance increases, where justified;
- Debenture obligations;
- Defined corporate contingency items;
- Reclassifications required to support tangible capital asset rules.

Additional flexibility in preparing the Recreation budget is required due to fluctuating enrollment numbers, program selections, and community needs. The Recreation budget will be prepared in accordance with established policies and aims to maintain or improve the Recreation department's overall net position and category thresholds.

To ensure that all financial requests are captured and assessed within the approved operating budget process, all items containing an economic impact during the annual budget process are to be submitted to the Finance and Administration Committee for review and recommendation before Council consideration.

**5. Strict process to evaluate funding requests**

Under the above guidelines, departments are only permitted to include very specific predetermined increases in their budget. To the extent a department requires additional resources, a separate business case must be submitted detailing strategic links, costs & benefits, implications & consequences, success indicators, timelines, etc. These are referred to as **Additional Resource Requests (ARR)**. A business case template is enclosed as Attachment #2. The process will separate the Operating Budget into the following two classifications:

- Base Budget – Budget based on approved guidelines – Minimal tax increase.
- Additional Resource Requests – Essential funding requests not permitted through the base budget guidelines requiring Council review and approval. *Council approval is specifically required for new staff resources, a change in service level, or new initiatives.* Requests are limited to items in excess of \$10,000 or having a net neutral or positive impact.

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The objective of the above action is to separate basic operating obligations from items that may require further discussion and decisions.

Determining which resource requests move forward is a very difficult and challenging task as all departments are experiencing challenges associated with maintaining service levels, meeting legislative requirements, and implementing initiatives to move the City forward. Recognizing the value of requests greatly exceed the amount of available limited resources, a prioritization process to evaluate each request based on a blend of associated municipal value and risk criteria is performed. Last year's addition of a Director's working group to evaluate and prioritize additional resource requests for consideration by SMT, Committee, and Council was a success and will be continued. This action integrated the staff experience and involvement, shared the challenges associated with prioritization, and enhanced corporate knowledge. Only requests approved by Council will be included in the annual budget.

#### **6. User fee reviews to reduce the tax burden**

Another opportunity to minimize tax pressures is to maximize revenue generation through user fees and service charges. It is important to emphasize that any reduction in a user fee or service charge cost recovery ratio will have a corresponding direct impact on the City's levy. Therefore, to minimize any impact on the City's tax rate it is important to sustain or improve revenue/cost relationships. In addition to adjusting revenues for anticipated changes in activity, departments will be required to review user fees and service charges and perform the following:

- ❖ General fee by-law - Increase fees and charges in relation to related annual cost increases
- ❖ For specific department user fee by-laws (i.e. Planning, Licensing, etc.), a pricing/costing review be conducted in collaboration with Finance before the by-law is renewed.
- ❖ A net full cost benefit be incorporated in fees set for external services (i.e. inter-municipal)
- ❖ Submit new user fee and service charge opportunities

As a default, it is anticipated that department user fees & service charges will increase at minimum, by the rate of inflation, in scheduled increments, unless justification for no increase is otherwise specified. The Statistics Canada Ontario core inflation rate increased 1.6% for the 12 month period ending April 2011. The 5 year historical average is approximately 2%. The above actions will be submitted for Senior Management review and Council approval.

#### **7. Zero impact adjustments**

Reclassifications and reallocations in *non-labour* related accounts are only permitted if they result in a zero impact on the budget. Furthermore, these adjustments are limited to better reflecting the true nature of the expense or more accurately aligning account budgets. There are no impacts associated with these adjustments and the intent is to refine departmental budgets. As part of the budget process reallocations/reclassification will be reported, demonstrating a neutral impact.

#### **8. Exploring opportunities through program reviews**

As the City continues to be challenged with limited resources, it is important to develop creative ways to help mitigate the budget pressures the City is facing. The City currently has many processes in place that encourage and foster improved effectiveness and efficiency (i.e. internal audit, operational studies, suggestion program, etc). In addition to these processes, a program review will be implemented, as directed during the last budget process by the Mayor and Members on Council, to address the following questions:



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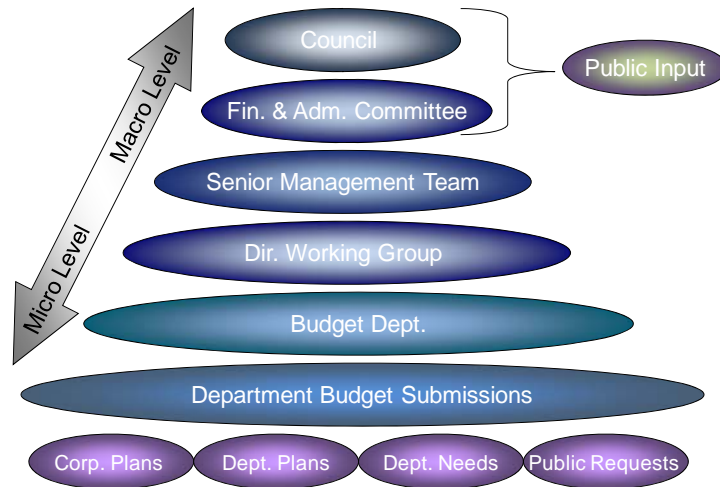
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- Is the expenditure in the public interest?
- Is the delivery of service a legitimate and necessary role of government?
- Is the current municipal role appropriate or should the program be realigned with other levels of government?
- Should it be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

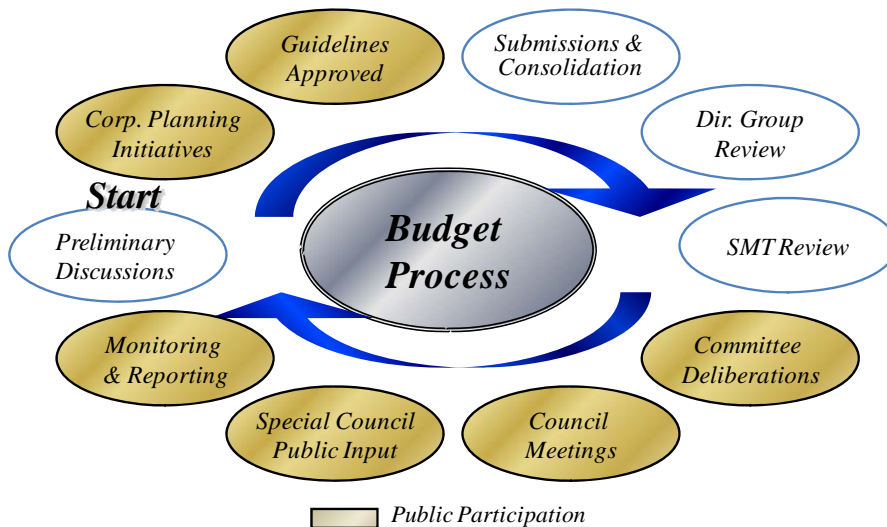
Further detail regarding the program review framework and process will be provided in a separate report tabled on the next committee agenda, scheduled for July.

**9. Thorough multi-layer review process**

The budget process has a very thorough review process and the final budget will consist of many decisions resulting from a variety of review sessions and open public sessions. Illustrated below are the various layers of review that occur and areas involved within Vaughan's budget process.



Public involvement throughout the budget process is a key element of building the budget. Illustrated below are the key steps in the budget process and touch points with the public.



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**Additional Process Changes**

The budgeting process is constantly evolving to the needs and requirements of departments, management, Council, and residents. Detailed within this section are brief highlights of additional process changes to be aware of:

**Insurance Expense:** Currently the insurance expense is accounted for within the department budgets and historically this method has created challenges in determining allocations and reporting. It is further complicated by transfers to and from the Insurance reserve for annual operating purposes. Moving forward, to simplify the process, insurance related expenses will be consolidated under one corporate expense account. Although the reallocation net impact is neutral to the City, annual 2012 budget variances will be present within sections due to the reallocation of department budgets to a corporate account.

**Fleet Dept. /Repairs & Maintenance Expense:** Currently there are multiple budget treatments for repairs and maintenance i.e. machine time, holding accounts, department budgets, fleet budgets, etc. To simplify this very complex process, repair and maintenance budgets including machine time will be allocated to specified sub- units in the fleet department. This will provide a better understanding of this cost and allow for some degree of budget flexibility. Direct department consumables such as gas and leases will remain within the department budgets and restated to reflect the higher of a) last year's actual performance or b) a 5 year actual average, which will then be adjusted for 2012-2014 allowable price and volume escalations. For new capital vehicles, the following percentage of asset values, base on historical trends, are recommended for operating costs: repair and maintenance 8% and fuel 4%.

Traditionally, the fleet department has been 100% subsidized through the fleet reserve, which generates the following concerns:

- Funding operations though limited reserve balances is not sustainable
- Transparency is limited
- Available funding for fleet replacement is greatly reduced

To mitigate the fleet department's funding dependency on the reserve a phased in approach is being applied. The first step is to apply any over-estimates determined through the above repair and maintenance process to reduce the budgeted reserve transfer. The second step will require the development of a strategy to phase out the residual dependency on the reserve.

Available reserve funds for vehicle replacement are relatively low, as the primary funding source was eliminated a number of years ago. Recognizing the above potential challenge, it is necessary to develop funding policies and strengthen our infrastructure contributions to ensure our assets are replaced when needed, so they can continue to support the communities overall quality of life for current and future generations. This will be the subject matter of a future report.

**Questica Budgeting Software:** Recently, the budgeting department implemented a new budgeting program. This was necessary to move away from cumbersome Excel based spreadsheets and obtain a multitude of reporting and process efficiencies. In order to ensure the transition is smooth, budget portfolio groups will need to work closely with departments to prepare and input their budgets. Understanding the tight timelines ahead, portfolio groups are planning and setting up multiple department working sessions. To achieve this year's submission target departments must respect and adhere to the plan.

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#### Operating budget timetable

Staff anticipate bringing forward the first draft of the 2012 – 2014 Operating Budget to the Finance and Administration Committee in early November with the intention of a Budget recommendation early January 2012 and Council approval in late January 2012. Every effort will be made to adhere to the timeline, but issues raised during the budget process could potentially impact the presented timeline. A timetable is enclosed as Attachment #1. Director Working Group (DWG), Senior Management Team (SMT), and Finance and Administration Committee meeting dates will be scheduled shortly to accommodate this timeline.

#### Continued budget process improvements

The Budget Department strives to continuously improve the operating budget process. A strong emphasis is placed on reviewing processes and creating refinements that add value by making the process easier and more informative. Many of these improvements lead to greater efficiencies, thereby allowing management and front line staff to focus more on core operations, planning, budget review and decision making. To that end, some of the more recent significant process improvements for the operating budget process include:

- Integrated strategy & budgeting through the development of the corporate planning process
- Implemented a multi-year budget process to improve financial visibility
- Redesigned the Budget Book, which received the GFOA Budget Presentation Award
- Implemented Questica's Team Budget software solution to enhance reporting and analysis
- Developing prioritization models to assist in decision-making, etc.

#### Relationship to Vaughan Vision 2020

This report is consistent with Vaughan Vision 2020's long term goal of financial stability through the design of operating budget guidelines intended to produce a responsible budget. The necessary resources have not yet been approved and will be addressed throughout operating budget deliberations.

#### Regional Implications

N/A

#### Conclusion

The 2012-14 Operating Budget Timetable and Guidelines requires the Finance & Administration Committee to provide a recommendation to Council in early January 2012 and a public meeting be held late January 2012, followed by Council approval. The enclosed guidelines are presented to provide the lowest possible tax rate increase while maintaining service levels and supporting Vaughan's vision.

#### Attachments

Attachment No. 1 – Operating Budget Timetable

Attachment No. 2 – Additional Resource Request (ARR) - Business Case Template

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**Report prepared by:**

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

John Henry, CMA  
Director of Budgeting and 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 JUNE 28, 2011**

Item 3, Report No. 14, of the Finance and Administration Committee, which was adopted and amended, by the Council of the City of Vaughan on June 28, 2011, as follows:

***By approving the Terms of Reference for the Council Budgets Task Force attached to Communication C12 from the City Clerk, dated June 23, 2011.***

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**3** **COUNCIL EXPENDITURE BUDGETS**

The Finance and Administration Committee recommends:

- 1) That the Council Budgets Task Force be re-established and membership be comprised of:  

**Mayor Bevilacqua, Ex-officio  
Regional Councillor Rosati  
Councillor Carella  
Councillor DeFrancesca  
Councillor Racco**
- 2) That the following report of the Commissioner of Finance/City Treasurer and the Director of Budgeting and Financial Planning, dated June 20, 2011, be received.

**Recommendation**

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

That the Finance and Administration Committee provide additional direction regarding the process to review the Council expense budget, which was endorsed by Council on April 5<sup>th</sup>, 2011.

**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.

**Economic Impact**

N/A

**Communications Plan**

N/A

**Purpose**

The purpose of this report is to request direction regarding the process to review the Council expense budget, which was endorsed by Council on April 5<sup>th</sup>, 2011,

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

On April 5<sup>th</sup>, 2011, Council adopted the following Council Budget Task Force recommendation: “That a review be conducted prior to the submission of the Council expense budget for 2012” With the 2012 -2014 budget process underway, it is important to understand the requirements, scope, timeframe and resource assignments in order to fulfill the above recommendation. During the 2011 budget process a Council Budget Taskforce was struck, consisting of four Ward Council members, to address issues raised by Members of Council. However, as directed by the current procedural by-law, the purpose of that task force ended with the approval of the 2011 budget. Moving forward, staff is requesting additional direction on how the Committee and Members of Council would like to proceed with conducting the requested review by asking the following questions:

1. What is the review mandate, scope, and timeline?
2. Who will perform the review? Are other resources involved?

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

Budgeting 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**

Staff is requesting further direction regarding the Council expense budget review in order to achieve the desired results.

#### **Attachments**

N/A

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

John Henry, CMA  
Director of Budgeting & Financial Planning  
Ext. 8384

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**EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 28, 2011**

Item 4, Report No. 14, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on June 28, 2011.

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**2010 ANNUAL INVESTMENT REPORT**

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 June 20, 2011:

**Recommendation**

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

This report be received for information.

**Contribution to Sustainability**

Not applicable.

**Economic Impact**

Investment income generated from the investment portfolio in 2010 amounted to \$13.1 million. Investment earnings are distributed to the City's reserve funds and operating budget reducing the need for tax revenues.

**Communications Plan**

Not applicable.

**Purpose**

To report to Council on the City's investment portfolio activities during the year 2010, as required by Ontario Regulation 438/97 (as amended) of the *Municipal Act* and the City's Investment Policy.

**Background - Analysis and Options**

The Municipal Act is the governing legislation for the investment of municipal funds. Ontario Regulation 438/97, as amended to O. Regulation 292/09 outlines the criteria for eligible investments. The City's investment policy approved by Council in December 2009 conforms to this legislation and acts as the governing guideline in managing the City's investment portfolio.

The reporting requirements in the City's investment policy and the Municipal Act require the Treasurer or designate to submit an investment report to Council at least annually, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last year. The report submitted to Council each year must contain the following:

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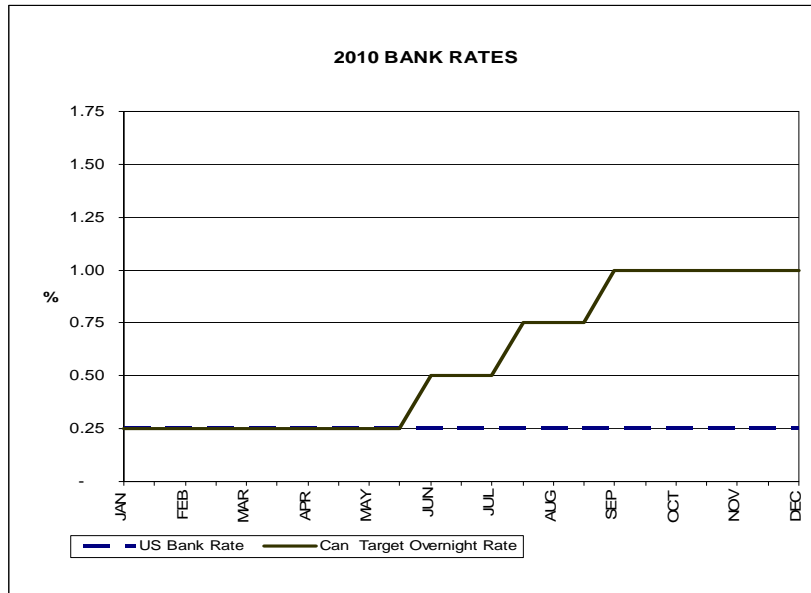
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- a) Listing of individual securities held at the end of the reporting period;
- b) Listing of investments by maturity date;
- c) Realized and unrealized gains or losses resulting from investments that were not held until maturity;
- d) Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks;
- e) Percentage of the total portfolio which each type of investment represents and;
- f) A statement about the performance of the investment portfolio during the period covered by the report.

The Reserves & Investment Department manages the investment portfolio for the City with a maturity value of approximately \$475.9 million (cash and investments) at December 31, 2010 (\$484.3 million 2009), (Attachment 1). These funds represent the funding requirements for day to day operations of the Corporation and represent investments funds held in the reserves, reserve funds, working capital and other funds of the organization. The credit quality of all investments were in compliance with the City’s Investment Policy and the Ontario Regulation 438/97 (as amended) of the *Municipal Act*.

The financial credit crisis caused Central banks across the globe to lower interest rates to historic lows during 2008 and 2009. These low rates continued into 2010. The Bank of Canada began removing monetary stimulus in June raising the overnight rate by 25 basis points and again in July and September taking the overnight rate to 1.00%.

The year began with signs of an improving global economy. Financial conditions improved and domestic demand rose. In May however, European sovereign debt concerns surfaced quickly lowering the expectations for global growth. The US was also set back by a drop in housing activity and higher unemployment. Going forward the global economy is expected to expand, but at a slower pace than had been anticipated. Interest rates are expected to rise going forward.





## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 28, 2011

#### Item 4, Finance Report No. 14 – Page 3

During 2010 the investment portfolio generated investment income in the amount of \$13.1 million (\$12.4 million in 2009). The Money Market portfolio averaged a rate of return of .87% outperforming the 90 day T-bill rate of .59% by .28 % and the ONE Money Market Fund which returned .65% by .22%. The Bond Fund portfolio averaged a rate of return of 4.69% outperforming the ONE Bond Fund of 3.00% by 1.69%. The ONE Fund, a benchmark used by the City, is a pooled investment fund sponsored by the Association of Municipalities of Ontario (AMO) and the Municipal Finance Officers' Association (MFOA) for Ontario municipalities. A large amount of cash is being held in the City's bank account due to the higher rate of return than that of Money Market instruments. At the end of the year the bank account earned a rate of return 1.25% while a Money Market instrument earned 1.06% resulting in a high cash balance in the City's bank account.

Over the past number of years, the City's investment program has changed its focus from just providing liquidity for the day-to-day operations to a long term reserve management. This change focused on transforming the investment portfolio from a short term money market portfolio to one that is more diversified in terms of credit and term exposure.

#### **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**

In 2010 the City's investment portfolio performed well given the weak global economic and financial market conditions. Increased investment income revenue contributes to reserves and reduces the need for tax revenues. Investments were in compliance with the City's Investment Policy approved by Council December 14, 2009 and the Ontario Regulation 438/97 (as amended) of the *Municipal Act*.

#### **Attachments**

Attachment 1 – Listing of Securities Held As At December 31, 2010  
Attachment 2 – Investments Held by Institution

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

Ferruccio Castellarin, CGA Ext 8271  
Director of Reserves & Investments

Terry Liuni, Ext 8354  
Capital Revenue Analyst

(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 JUNE 28, 2011**

Item 5, Report No. 14, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on June 28, 2011.

**5                    2010 DEVELOPMENT CHARGES RESERVE FUND STATEMENT**

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 June 20, 2011:

**Recommendation**

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

- 1) That the 2010 Development Charges Reserve Fund Statement prepared pursuant to the Development Charges Act, RSO 1997, be received for information purposes; and
- 2) That the 2010 Development Charges Reserve Fund Statement be forwarded to the Minister of Municipal Affairs and Housing.

**Contribution to Sustainability**

Not applicable.

**Economic Impact**

Not applicable.

**Communications Plan**

The 2010 Development Charges Reserve Fund Statement will be forwarded to the Minister of Municipal Affairs and Housing.

**Purpose**

To provide Council with the 2010 Development Charges Reserve Fund Statement pursuant to Section 43 of the Development Charges Act RSO 1997.

**Background - Analysis and Options**

The Development Charges Act RSO 1997 (DC Act, 1997) outlines specific reporting requirements for development charge reserves. In accordance with Sections 33 and 43 of the Development Charges Act, 1997, the following is required:

- A municipality that has passed a Development Charge by-law shall establish a separate reserve fund for each service to which the development charge relates; and shall be used only to meet growth related capital costs for which the development charge was imposed.
- The Treasurer of a municipality shall give to Council a financial statement relating to development charge by-laws and reserve funds that were established.

Reporting requirements include identifying all other services of funding applied to each project funded with development charges and providing detailed summary of the activity for each development charge reserve for the year.

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Item 5, Finance Report No. 14 – Page 2

The statement shall contain the following information in respect of each service for which the development charge is being imposed:

- 1) A description of the service for which the fund is established.
- 2) The balance as of the first day of January.
- 3) The distribution of the development charge proceeds received during the year.
- 4) The amount transferred to the capital fund.
- 5) Any credits provided in relation to service or services category.
- 6) The development charge amounts refunded or allocated to other sources.
- 7) The apportionment of accrued interest.
- 8) The closing balance as of the 31<sup>st</sup> day of December.
- 9) An addendum indicating each project, the intended application of the amount and source of any other money that is spent on the project.

Attachment 1 provides for the statutory requirement under the development charges legislation for 2010. The development charges revenue is provided as a summary for each reserve, whereas, the capital expenditures are detailed by capital project.

The total development charges revenue collected in 2010 was \$37,128,999 (\$33,737,647 in 2009).

The statement is prepared on an accrual basis for goods and services received however it does not reflect other commitments of funds.

**Relationship to Vaughan Vision 2020**

Not applicable.

**Regional Implications**

Not applicable.

**Conclusion**

The 2010 Development Charges Reserve Fund Statement provided pursuant to the reporting requirements of the Development Charges Act, RSO 1997, be received.

**Attachments**

Attachment 1 – 2010 Development Charge Reserve Fund Statement

**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.)

CITY OF VAUGHAN

**EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 28, 2011**

Item 6, Report No. 14, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on June 28, 2011.

**6                      DEVELOPMENT CHARGES – SEMI-ANNUAL ADJUSTMENT**

**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 June 20, 2011:**

**Recommendation**

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

- 1) That in accordance with the appropriate semi-annual adjustments sections of each respective development charge by-law, the City Wide Development Charge rates and Special Service Area Development Charge rates be increased by 2.17% effective July 1, 2011; and
- 2) That the following revised Development Charge Rates (Attachment 1 & 2) be approved.

**Contribution to Sustainability**

This is not applicable to this report.

**Economic Impact**

The semi-annual adjustment will provide a 2.17% increase in City-Wide Development Charges and Special Area Development Charges.

**Communications Plan**

Public notice of the development charges semi-annual adjustment is through the agenda process.

**Purpose**

To obtain Council approval to index the City of Vaughan Development Charges pursuant to the semi-annual adjustment provision in the respective City of Vaughan Development Charge By-laws.

**Background - Analysis and Options**

The Development Charges Act authorizes municipalities to pass By-laws for the recovery of capital costs incurred to provide services to all new development and re-development. A clause in each of the City of Vaughan's Development Charge By-laws states the development charges may be adjusted semi-annually without amendments to the by-laws, as of the 1<sup>st</sup> day of January and the 1<sup>st</sup> day of July in each year in accordance with the most recent change in the Statistics Canada Quarterly, Construction Price Statistics (catalogue No. 62-007 Table 327-0043).

In order to reflect economic conditions and based on a review of the Statistics Quarterly Construction Price Statistics (catalogue No. 62-007 Table 327-0043), the City Wide Development Charges and Special Service Area Development Charge Rates should be increased by 2.17% which reflects the six (6) month increase in the Statistics Quarterly Construction Price Statistics Index (catalogue No. 62-007 Table 327-0043) for the period October 1, 2010 to March 31, 2011.

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**Relationship to Vaughan Vision 2020**

This report is consistent with the priorities previously set by Council, specifically; Ensure Financial Sustainability and the necessary resources have been allocated and approved.

**Regional Implications**

Not applicable.

**Conclusion**

Staff recommend that the City of Vaughan Development Charges be increased by 2.17%. The City Wide Development Charge and the Special Service Area Development Charges may be indexed without amending the existing by-law. The revised schedules reflecting the new rates are attached.

**Attachments**

Attachment 1 – Revised Development Charge Rates

Attachment 2 – Summary of Special Area Charges

**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.)



**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 28, 2011**

Item 7, Finance Report No. 14 – Page 2

In accordance with this pay policy staff are required to conduct annual salary surveys with our comparator municipalities. These salary surveys have been conducted on an annual basis and adjustments are made in accordance with the results of the surveys. In addition, when a non-union administrative job is reviewed through the job evaluation program, a market value survey is conducted to ensure that both internal and external equity are maintained in accordance with the 50<sup>th</sup> percentile pay policy.

In comparing the general percentage increases provided to management staff over the period 2005 to 2010, management staff received the same increases as those negotiated with the CUPE bargaining units.

Staff have reviewed the public sector salary disclosure list and the following reflects the number of staff on the list in each of the years for the City of Vaughan and its comparators in accordance with the pay policy.

Year	Vaughan	Markham	Richmond Hill	York Region	Mississauga	Brampton	Oakville
2005	34	48	32	149	77	41	25
2006	48	40	45	222	81	67	25
2007	46	69	83	275	153	90	63
2008	63	69	83	276	154	90	63
2009	80	157	78	478	324	145	118
2010	85 <sup>(1)</sup>	116	72	686	387	246	121

- (1) The list has a total of 173 names on it, however, there are 88 employees who are firefighters who received retroactive pay adjustments as a result of an arbitration award delivered in October 2010 for the period of 2007 through 2010 inclusive. When these firefighters are removed, the list would have a total of 85 employees.

As you can see from the chart above, the City of Vaughan in 2010 is lower than all of the other municipalities except for Richmond Hill and for the most part has been consistently lower than the other municipalities.

Over the course of the past six years, there are a number of reasons for the increased numbers of employees being disclosed. The City has and continues to grow quickly and as a result, the work is more complex resulting in the addition of complement, staff now making in excess of \$100,000 and various retroactive increases over the years. Excluding those who made the list due only to retroactive pay increases, there would be 85 on the list in 2010. According to the Toronto Star, had the disclosure been adjusted for inflation, the 1996 value of \$100,000 would be equivalent to \$132,000 in 2010. In the City of Vaughan's case adjusting for inflation there would be 40 employees on the list.

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

This report is consistent with the priorities previously set by Council. This report is consistent with the Vaughan Vision goal of valuing and encouraging a highly motivated workforce, and attracting, retaining and promoting skilled staff.

**Regional Implications**

There are no regional implications to this report.

CITY OF VAUGHAN

**EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 28, 2011**

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**Conclusion**

While there are increases to the number of employees who are earning in excess of \$100,000 each year, these increases are attributable to general wage increases, additions to the complement and the fact that the \$100,000 limit has not been adjusted since its inception in 1996. Had the \$100,000 been adjusted with inflation, the resulting \$132,000 would result in employees in Director positions and above being identified on the Public Sector Salary Disclosure List.

**Attachments**

None

**Report prepared by:**

Janet Ashfield  
Director of Human Resources





## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 28, 2011

#### Item 8, Finance Report No. 14 – Page 2

Traditionally, municipalities in Canada have relied on taxation to fund the majority of their programs and services. The funding of the City's 2011 operating budget is funded 64 percent from taxation. As the City moves forward and particularly in these current economic times, municipalities must increasingly seek out other sources of revenue.

There is a diverse set of revenue-generating opportunities that could be considered. 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.

#### About IMI

IMI International is a full-service marketing consultancy - leveraging consumer marketing research - specializing in the optimization of brand activations.

Established in 1971, IMI International is globally recognized for its work in the pre- and post-evaluation of consumer marketing efforts and has developed proprietary consumer research methodologies and success thresholds that serve to improve a clients' return on marketing investment. IMI has offices in Toronto; Phoenix, Arizona; Melbourne, Australia and London, United Kingdom.

IMI International has amassed a proprietary database of over 10,000 marketing measurements and optimizations, including more than 3,500 regarding sponsorship, with many focused on Canadian properties and their valuations.

#### About the Team

**Don Mayo:** Global Managing Partner, the leader of the presentation, is highly sought-after internationally to share his unique perspective on sponsorships and other marketing activations. Don started with IMI International in 1985 and developed and implemented a ROI optimization system around the world. Don has been involved with the evaluation and optimization of marketing activations in 80 categories in 15 countries. He has experience surrounding the largest worldwide marketing and sponsorship campaigns, including the 2010 Vancouver Olympics, to grassroots marketing in towns with fewer than 1,000 people.

**Duane Hargreaves:** Client Service Director, brings extensive strategic insights to bear through his experience at IMI International and via his Consumer Psychology PhD from Flinders University in South Australia and having completed his post-doctoral work at the University of Toronto. Duane's advanced knowledge of statistical techniques ensures the appropriate study designs are implemented for clients and partners. Duane's proficiency with statistical analysis has found counter-intuitive sponsorship insights, providing clients with a competitive advantage as they plan for the future.

**Victor Kok:** Victor Kok, Client Services Director, brings over 15 years of strategic marketing consulting and research experience, working with Fortune 1000 companies around the world to help them evaluate and optimize their marketing efforts. His experience ranges from consulting on integrated marketing campaigns, to evaluating sponsorships ranging from single day events to the 2010 Vancouver Olympics.

#### The Presentation

The presentation will provide an overview of how to achieve the following;

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 28, 2011

#### Item 8, Finance Report No. 14 – Page 3

1. **Discovering How Cooperative Marketing Opportunities Drive Mutually Beneficial ROI:**  
A thorough demonstration of IMI International's extensive insights, best practices and global case studies amassed over the last 27 years in the Canadian sponsorship business. Council will understand how and why driving sponsorship awareness and planning for experiential activation of any sponsorship are paramount.
2. **Demonstrate How Cooperative Marketing Opportunities Alignment and Fit Ensures Success:**  
Learn how IMI International has brought its extensive experience to bear for leading national and international corporations, properties and organizations to quantifiably select sponsors for properties. Council will learn how and why strategic sponsorship selection, according to consumer-validated alignment and fit, between the property and brand drives both favourability and impact for both partners.
3. **Discuss How to Value City-Owned Properties to Maximize Revenue:**  
Plan to optimally leverage Public-Private Partnerships for the City so it may increase Non-Taxation Revenue to offset undoubtedly increasing costs and service delivery expectations by ratepayers. Council will learn how and why quantifiable, third party valuation of sponsorship properties ensures rational, fact-based pricing and increases the potential for sponsorship sales and optimized pricing for new, co-branded City assets.

#### 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. Consideration must be given to the extent and appropriateness of the arrangements entered into with the private sector. 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.

#### Attachments

Not applicable

#### Report prepared by:

Tim Simmonds, Director, Economic Development