

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 29, 2011

Item 1, Report No. 18, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on November 29, 2011.

1 DRAFT 2012 BUDGET AND 2013-2014 OPERATING PLAN

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, the Senior Management Team and the Director of Budgeting and Financial Planning, dated November 21, 2011, be approved;
- 2) That the presentation of the Commissioner of Finance/City Treasurer, and presentation material C2, titled "Financial Sustainability: A Key Priority, Draft 2012 Budget and 2013-14 Operating Plan", dated November 21, 2011, be received;
- 3) That the following deputations be received:
 1. Mr. Guido Masutti, 144 Riverview Avenue, Woodbridge, L4L 2L6; and
 2. Mr. Antony Niro, 333 Laurentian Blvd, Maple, L6A 2V3; and
- 4) That Communication C1, from the Commissioner of Legal and Administrative Services & City Solicitor, and the City Clerk, dated November 21, 2011, be received.

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 2012 Operating Budget and 2013-2014 Operating Plan, including additional resource requests, be received for information and discussion purposes.

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 Operating Budget Guidelines approved by Council are:

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

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

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Communication Plan

Public consultation is integral to building the budget

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. For this reason, all Finance and Administration Committee meetings are open to the public. Community comments and input regarding the budget are received throughout this process and considered by Members of Council during budget deliberations. To complement the above process, easy to access space on the City's website has been designated for budget highlights, items, meeting dates, and relevant reference material. Listed below are scheduled Finance and Administration Committee meeting dates focused on budget related topics.

November 21, 2011	- 9:30 a.m. - 12:00 p.m.
November 28, 2011	- 7:00 p.m. - 10:00 p.m.
December 5, 2011	- 1:30 p.m. - 4:30 p.m.
December 13, 2011	- 7:00 p.m. - 10:00 p.m.
January 16, 2012	- 1:30 p.m. - 4:30 p.m.

The above meetings will take place at Vaughan City Hall, 2141 Major Mackenzie Dr. in Committee Room 242/243. In the interest of increasing the community's awareness, these meetings will be advertised on the City's website and using local media partners.

Final Opportunity for Community Input / Budget Approval Communication

In addition to the above section, a Special Council meeting will be scheduled in late January, before budget approval, to provide the public with a final opportunity to comment on the 2012-2014 Operating Plan. This meeting will be advertised in advance, consistent with the City's public notification by-law.

Economic Impact

The City's approach to establishing the annual operating budget is twofold. First, the process begins with Council approving very strict budget guidelines which are issued to departments. The guidelines do not include any "across the board" increases.

Second, a separate justification is required for each resource request not covered under the guidelines. There is a thorough vetting process and only those requests that are supported by management are individually itemized and recommended to the Finance and Administration Committee.

Together, the Base Budget and the Additional Resource Requests (ARR's) form the annual draft operating budget. Further discussion and the impact of each of these components are detailed within this report. Illustrated below are the combined major elements giving rise to the total budget change for both the base budget, and the Senior Management Team's Additional Resource Request funding recommendation:

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Highlights & Major Budget Elements	2012		2013		2014	
	\$	Rate incr.	\$	Rate incr.	\$	Rate incr.
<i>Insurance Premium Increase</i>	1,560,000	1.10%	471,000	0.31%	477,600	0.30%
<i>Community Safety - Station 7-10 (full-year staffing)</i>	633,024	0.45%	-		-	
<i>Infrastructure Renewal Policy Funding</i>	608,849	0.43%	527,610	0.35%	387,768	0.24%
<i>Prior Year Decision Implications (full-year staffing)</i>	302,818	0.21%	-	0.00%	-	0.00%
<i>Capital Funding Requirements</i>	132,580	0.09%	511,948	0.34%	-	0.00%
<i>Roads Program (Net debenture funding)</i>	171,326	0.12%	939,242	0.62%	949,787	0.59%
<i>Other Net City Obligations (Workforce, Contracts, Utilities, etc)</i>	296,152	0.21%	1,586,355	1.04%	235,881	0.15%
<i>Additional Resource Requests</i>						
- <i>Community Safety</i>	367,189	0.26%	1,703,727	1.12%	-	0.00%
- <i>City Initiatives</i>	458,077	0.32%	501,713	0.33%	1,077,990	0.67%
- <i>New Infrastructure Related</i>	852,164	0.60%	56,581	0.04%	390,839	0.24%
- <i>Operational Requirements</i>	1,123,055	0.79%	652,336	0.43%	1,732,055	1.07%
Total Budget Change	6,505,234	4.60%	6,950,512	4.56%	5,251,920	3.26%
Average Residential Tax Bill Change	\$54		\$56		\$42	

It should also be noted, the results of the City's Program Review will be the subject of a future report and decisions related to this topic will be incorporated at a later date. A report regarding insurance will be provided to Committee/Council in the near future.

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 Hospital was approved on June 15th, 2009 and subsequently revised on April 5th, 2011. The approved 2012 & 2013 residential property tax increases associated with the separate Hospital Capital Levy is approximately \$11 or 0.91% in 2012 and 2013 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 information and details regarding the Draft 2012 Operating Budget and 2013-2014 Operating Plan and corresponding tax adjustments on an average Vaughan household.

This is the first of a series of budget reports that build the City's budget. The operating budget report sets the tone of the process and is complimented by subsequent reports on capital, user fees, program review, and a variety of Committee/Council requested reports.

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Background – Analysis and Options

Executive Summary

Shaping the Future

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, and a number of vision based master plans reflecting important community needs. This transformation will increase the City's level of sophistication, generating pressures beyond the many factors currently placing 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.

Complementing this 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, 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

This year senior management, including directors, actively reviewed the City's strategic plan, discussed opportunities, and developed strategic priority themes and initiatives for this year's budget process. Although late in the process and rather optimistic in its timelines it was necessary to focus staff and align resources on important City initiatives. After learning from this year's process, it is anticipated that next year's corporate planning cycle will be further integrated.

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. The future oriented focus will also provide citizens with more certainty about the direction of City services, finances, and tax levels. 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 should be recognized that assumptions, estimates and uncertainties are a 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 plans for the purpose of building future budgets.

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Economic Outlook

Based on TD's quarterly economic forecast, the Canadian economy will continue to be constrained to a tepid pace into early 2012 due to a lack of consumer and business confidence caused by the European debt crisis and recent US debt downgrade. The evolution of political uncertainty in Europe and the US is critical but difficult to predict. South of the border the economy is expected to avoid a recession, but remain weak. It is expected that confidence will begin to improve next year and growth will gradually pick up, but at a considerably slower pace than previous forecasts. The Bank of Canada's interest rates are likely to remain historically low until early 2013, which will keep borrowing costs down providing support to housing activity and other significant purchases. Trends in consumer confidence and the expected slow economic growth have the potential to impact Vaughan's housing market, which is consistent with current building permit trends. Furthermore, it is anticipated that Provincial and Federal agencies will continue with spending restraint and stimulus recovery and it is undetermined how this could impact on grants and funding the City receives. On an optimistic note, the report also states if the U.S. recovery exceeds expectations and the European fiscal problems are addressed, Canadian economic growth could be significantly more robust. The above information is relatively global and is intended to provide a general economic context.

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. The guidelines do not include "across the board" increases for inflation or 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., 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 & Guidelines.

Base Budget and Additional Resource Request Highlights are provided below:

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Base Budget

The impact of the Base Operating Plan, derived from Council's approved guidelines is as follows:

	2012	2013	2014
Net Taxation Change	\$3.70m	\$4.04m	\$2.05m
Avg. Residential Tax Rate Change	2.62%	2.70%	1.30%
Avg. Residential Tax Bill Change	\$30.84	\$32.62	\$16.10

The above changes are largely driven by staff agreements, contractual obligations, utility needs, and capital funding requirements. Although there are many components to the City's base budget, there are six significant specific adjustments to be highlighted. Technically, in the absence of these adjustments, there would be a significant decrease in the base budget. These items and their affect on the base budget are illustrated in the following table.

Major 2012-14 Base Budget Adjustments	2012		2013		2014	
	\$	Rate incr.	\$	Rate incr.	\$	Rate incr.
Base Budget Change	3,704,749	2.62%	4,036,155	2.70%	2,051,036	1.30%
Less: Major Expenditure Increases						
Insurance Premiums <i>(Note 1)</i>	1,560,000	1.10%	471,000	0.31%	477,600	0.30%
Prior Year Decision Implications	935,842	0.66%	-	0.00%	-	0.00%
Infrastructure Contribution Policy	608,849	0.43%	527,610	0.35%	387,768	0.25%
Capital from Taxation Requirement	132,580	0.09%	511,948	0.34%	-	0.00%
Subtotal	3,237,271	2.29%	1,510,558	1.01%	865,368	0.55%
Less: Major Revenue Reductions						
Payment in Lieu Adjustment	800,000	0.57%	100,000	0.07%	-	0.00%
Investment Income Realignment	750,000	0.53%	250,000	0.17%	250,000	0.16%
Subtotal	1,550,000	1.10%	350,000	0.23%	250,000	0.16%
Base Budget Excluding Major Adjustments	(1,082,522)	-0.77%	2,175,597	1.45%	935,668	0.59%

Note 1 – A report regarding Insurance will be provided to Committee/Council in the near future

Additional Resource Requests (ARR's)

As previously noted Additional Resource Requests are not permitted under the base operating budget guidelines and are submitted and assessed on their respective merits. Initially, there were requests totalling a combined \$16.7m, all of which are valued. Reducing this balance to a level was very difficult for decision makers, who were frequently faced with the dilemma of choosing between "building a progressive city" and "keeping tax rates low". The Senior Management Team's funding recommendation is a blend of both ideals driven by the following:

- Community Safety - fire operations & traffic management
- New Infrastructure Related - Thornhill Woods library, McMillan farm, Vellore expansion, road maintenance, etc.
- Operational Requirements to Continue City Services – zoning by-law review, support and operational requests, etc.

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- City Initiatives – operational review, surveys, electronic document management, Vaughan Metropolitan Centre, municipal sponsorship, environment action plans, etc.

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, some redistributed within the planned years, and \$7.8m deferred beyond the 2012-2014 plans without guarantee. In many situations the result is not optimal, potentially compromising service levels, but necessary to minimize tax pressures on the community. The above situation further supports the need to begin planning resources beyond a single year in order to address future opportunities and challenges. A high-level summary of the additional resource request recommendations are provided in a later section. More specific details are provided in the Attachment, specifically Section 5 - Additional Resource Requests and Section 8 Department Information. The result of the Senior Management Team's funding recommendation is as follows:

	2012	2013	2014
Net Taxation Change	\$2.8m	\$2.91m	\$3.20m
Avg. Residential Tax Rate Change	1.98%	1.91%	1.99%
Avg. Residential Tax Bill Change	\$23.32	\$23.56	\$25.59

Combined Base Budget and Additional Resource Requests

The combined impact of the base budget and the additional resource requests is illustrated below:

	2012	2013	2014
Net Taxation Change	\$6.51m	\$6.95m	\$5.25m
Avg. Residential Tax Rate Change	4.60%	4.56%	3.26%
Avg. Residential Tax Bill Change	\$54.16	\$56.18	\$41.98

Please note: the sum of 2013 & 2014 base + ARR figures will not total to the above combined results. This is due to the exclusion of the ARR impacts on the levy in the base budget calculation.

Future Budget Reallocations/Updates

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: Historically the insurance expense was accounted for within the department budgets and this method has created allocation and reporting challenges. It is further complicated by transfers to and from the Insurance reserve for annual operating/reporting 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.

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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 fleet department subunits. 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 be adjusted based on guideline allowable price and volume escalations.

Traditionally, the fleet department has been subsidized through the fleet reserve, approximately \$365k net. To mitigate the fleet department's funding dependency on the reserve, a three year phase-in approach is being applied. This is necessary to secure a continuous funding source for fleet department operating costs, leaving fleet reserve funds for the purpose of ensuring assets are replaced when needed.

New Information – The Draft 2012 Operating Budget and 2013-2014 Operating Plan is based on information at a point in time and new information may become available through deputations, staff items, or Committee/Council decisions, as the budget process unfolds; 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.

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 2012 Operating Budget and 2013-2014 Operating Plan.

Budget (Base + ARRs)

	2011	(Projected)		
		2012	2013	2014
Average residential assessment	\$ 472,368	\$ 485,122	\$ 498,220	\$ 511,672
Total taxes levied on the average assessed home ***	4,497	4,551	4,607	4,649
City of Vaughan portion (26-27%)	1,178	1,232	1,288	1,330
City of Vaughan tax adjustment % on total taxes		1.2%	1.2%	0.9%
Hospital Capital Levy on the avg. home	38	49	60	60
Reduction for qualifying seniors	298	312	320	324
A 1% increase in the tax rate generates	\$1.3m	\$1.414m	\$1.524m	\$1.611m
Impact of a 1% increase on the average home	\$ 11.45	\$ 11.78	\$ 12.32	\$ 12.88
Assessment growth (projected)	3.17%	3.10%	3.00%	3.00%
Tax Rate Increase		4.60%	4.56%	3.26%

***Increase based only on Vaughan increase

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Draft 2012 Operating Budget and 2013-2014 Operating Plan 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 2012 Operating Budget and 2013-2014 Operating Plan, the remainder of the report is dedicated to reviewing the following budget components:

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

The Attachment: Sections

- 1. *Base Budget - Revenue & Expenditure Summary*
- 2. *Base Budget – Major Budget Change Summary*
- 3. *Base Budget – Full-Time Equivalents (FTE) Summary*
- 4. *Base Budget – Analysis & Other Information*
- 5. *Additional Resource Request*
- 6. *Business Plan Performance Measures*
- 7. *Corporate Budget Guidelines*
- 8. *Department Information*
 - o *Financial Summaries*
 - o *Business Plans*
 - o *Recommended ARRs*

A) Base Budget Under the Guidelines

Based on the budget guidelines, the City's Draft Base Operating plan and associated increases are reflected below:

	2012	2013	2014
City's Expense Budget	\$223m	\$234m	\$244m
Net Taxation Change	\$3.70m	\$4.04m	\$2.05m
Avg. Residential Tax Rate Change	2.62%	2.70%	1.30%

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

For this year’s 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 City expenditures of 3.0% in 2012, 4.8% in 2013, and 4.5% in 2014. These increases are illustrated in section 1 of the attachment - Base Budget - Revenue & Expenditure Summary.

Considering Factors Other Than CPI When Assessing the Budget

When assessing the Operating Budget, it is very important to put municipal cost increases into perspective. It is very common for stakeholders 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 capture cost increases and do not incorporate non-cost related factors associated with a municipality such as growth, infrastructure repair, new services or initiatives, legislative requirements, revenue fluctuations, etc. These are in addition to CPI.
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. An alternative approach would be to use a ***Municipal Price Index (MPI)*** based on applying relevant indices/indicators to the weighting of major expense categories.

Component	Inflation Figure	Source	Scenario #1		Scenario #2	
			% of Budget	Weighted Average	% of Budget	Weighted Average
Salaries and Benefits	4.0%	CoV settlement agreements	58.5%	2.3%	58.5%	1.2%
	2.2%	Ministry of Labour				
Contracts and Materials	5.1%	5 yr Average Historical Increase	16.0%	0.8%	16.0%	0.8%
Utilities and Fuel	11.2%	Stat's Can. Aug, 2011 - Energy CPI	3.5%	0.4%	3.5%	0.4%
Capital Funding	3.4%	Construction Price Index	3.0%	0.1%	3.0%	0.1%
Insurance	20.8%	AMO Municipal Insurance Survey	2.4%	0.5%	2.4%	0.5%
All Other	1.8%	Core Inflation - Aug 2011	16.6%	0.3%	16.6%	0.3%
Calculated Municipal Price Index			4.5%		3.3%	

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As previously noted, the base City expenditures are increasing by 3.0% in 2012, 4.8% in 2013, and 4.5% in 2014. Although, comparable to the MPI, embedded in these figures are non-price related increases associated with contract/utility growth, full implications of prior initiatives, and increases in infrastructure funding. Removing these items from the presented overall expenditure increase would yield approximate increases of 2.2% for 2012, 3.5% for 2013, and 3.4% for 2014. Total City expenditure increases are inline with the Municipal price index clearly signalling Vaughan is managing its finances within industry ranges.

Major Base Budget & Tax Rate Change

Approximately 55%-65% of the City's expense 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.

To assist the committee in assessing the Draft 2012-2014 Base Operating Plan resulting from the budget guidelines, the following summary is provided below:

Expenses	2012		2013		2014	
	\$	Tax Rate	\$	Tax Rate	\$	Tax Rate
<i>Labour Costs</i>						
- Gapping	935,842	0.66%		0.00%		0.00%
- Cola, JEV	4,267,960	3.02%	2,618,957	1.75%	1,804,299	1.14%
- Prog.	369,875	0.26%	370,000	0.25%	251,000	0.16%
Sub-total	5,573,677	3.94%	2,988,957	2.00%	2,055,299	1.30%
<i>Contingency</i>	1,418,150	1.00%	2,790,199	1.87%	3,584,925	2.27%
<i>Labour savings</i>	(300,000)	-0.21%	(100,000)	-0.07%	(100,000)	-0.06%
Sub-total	6,691,827	4.73%	5,679,156	3.80%	5,540,224	3.50%
<i>Contracts</i>	431,931	0.31%	1,091,600	0.73%	794,725	0.50%
<i>Utilities</i>	(164,500)	-0.12%	309,000	0.21%	466,000	0.29%
<i>Fuel</i>	454,220	0.32%	61,200	0.04%	33,629	0.02%
Sub-total	721,651	0.51%	1,400,600	0.94%	1,260,725	0.80%
<i>Insurance</i>	1,560,000	1.10%	471,000	0.31%	477,000	0.30%
<i>LTD</i>	171,326	0.12%	1,939,242	1.30%	1,749,787	1.11%
<i>Infra.</i>	618,349	0.44%	537,300	0.36%	397,652	0.25%
<i>Cap. Tax</i>	132,580	0.09%	511,948	0.34%	-	0.00%
Sub-total	922,255	0.65%	2,988,490	2.00%	2,147,439	1.36%
<i>City Hall funding</i>	(1,000,000)	-0.71%		0.00%		0.00%
<i>Elections</i>					1,024,794	0.65%
<i>YRT Ticket Purchases</i>	440,000	0.31%	36,750	0.02%	37,670	0.02%
<i>Other net</i>	427,613	0.30%	103,150	0.07%	56,879	0.04%
Expense Change	9,763,346	6.90%	10,679,146	7.14%	10,544,731	6.67%

Note: For illustration purposes the above 2012 figures exclude neutral impact corporate adjustments. These items are also separated in the financial summary included in the attachment.

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The above changes in the City's expenditures are partially offset by limited revenue streams, primarily user fees, reserve funding, assessment growth, and other sources. Any shortfall between City revenues and expenses is funded through taxation increases. Summarized below are the major changes in revenue streams and associated net change on taxation.

Revenues	2012		2013		2014	
	\$	Tax Rate	\$	Tax Rate	\$	Tax Rate
Reductions						
Payment in Lieu	(800,000)	-0.57%	(100,000)	-0.07%	-	
Fines & Penalties	(300,000)	-0.21%	100,000	0.07%	-	
Investment Income	(750,000)	-0.53%	(250,000)	-0.17%	(250,000)	-0.16%
Sub-Total	(1,850,000)	-1.31%	(250,000)	-0.17%	(250,000)	-0.16%
Increases						
Fees & Charges	1,420,700	1.00%	944,069	0.63%	1,589,381	1.00%
Hydro Dividends	1,250,000	0.88%	450,000	0.30%	600,000	0.38%
Supplemental tax	950,000	0.67%	-		-	
Debenture Reserve	-		1,000,000	0.67%	800,000	0.51%
Election Resv.					1,024,794	0.65%
Other Net	33,659	0.02%	143,147	0.10%	121,988	0.08%
Sub-Total	3,654,359	2.58%	2,537,216	1.70%	4,136,163	2.61%
Total Revenue Change	1,804,359	1.28%	2,287,216	1.53%	3,886,163	2.46%
Assessment Growth	4,254,238	3.01%	4,355,774	2.91%	4,607,532	2.91%
Sub-total	6,058,597	4.28%	6,642,990	4.44%	8,493,695	5.37%
Net	3,704,749	2.62%	4,036,156	2.70%	2,051,036	1.30%
1% tax increase	1,414,877		1,495,483		1,581,919	

Note: For illustration purposes the above 2012 figures exclude neutral impact corporate adjustments. These items are also separated in the financial summary included in the attachment.

A more detailed schedule is provided in the attachment under Section 2 – Base Budget Major Budget Change Summary

B) Base Budget Revenue Review

	2012		2013		2014	
	Budget	Change	Budget	Change	Budget	Change
Base Budget Revenues	\$ 77,760,648	\$(1,552,286)	\$ 80,047,864	\$ 2,287,216	\$ 83,934,027	\$ 3,886,163

The above figures exclude any impact associated with assessment growth and reflect percentage increase in the 2-5% range. 2012 is presented as reduction due to removal of fleet and insurance reserve transfers, which are met by similar offsetting reductions in expenses. Overall the impact is neutral. Without these masking adjustments the true 2012 increase is \$1.8m or a 2% increase. Further information regarding specific revenue adjustments are provided below:

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Supplemental Taxation

Supplemental taxation is generated from additional assessment forwarded to the City from Municipal Property Assessment Corporation (MPAC), over the course of the year, and is primarily a result of new construction. Historically, supplemental revenue figures achieved have been greater than the budget and therefore a conservative \$950k revenue increase is included. It should be noted, supplemental taxation is based on growth levels and occupancy timing, which is extremely difficult to predict. Given the current uncertain economic climate, Committee/Council is cautioned on associated risks and advised to delay any further adjustment until the economy stabilizes and more analysis is conducted.

Funding from Reserves:

	2012		2013		2014	
	Budget	Change	Budget	Change	Budget	Change
Funding from Reserves	\$ 15,639,251	\$ (3,309,813)	\$ 16,766,438	\$ 1,127,187	\$ 18,612,139	\$ 1,845,701

2012 decrease of \$3.3m:

- The largest budget adjustment in funding from reserves is related to insurance and fleet budget process changes. These changes have an overall neutral impact on the total budget, but result in many budget reallocations. For illustration purposes, the attached financial summary separates these reallocations, which balance to zero. The impact on the funding from reserves balance is a reduction of \$3.3m.
- The finance from capital budget increased by \$150k to better reflect the historical trend in the City’s actual position
- There is also a \$91k increase in the Building Standards reserve, which is actually neutralized by a reduction in Building Standards revenue and increase in associated expenses.
- 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.
- Adjustments occurred in the recreation land reserves as a result of activity, departmental cost changes, and anticipated growth trends.
- The above increases were offset by the following:
 - Decrease in funding from the engineering reserve of \$93k due to a change in allocation of department based activity.
 - Removal of \$78k from the roads infrastructure reserve related to a prior year initiative.

2013 increase of \$1.127m & 2014 Increase of \$1.845m:

- The largest component of the budget increases are related to additional funding from the debenture reserve to smooth increases in future debenture payments. Budget increases of \$1m and \$800k are required for 2013 and 2014, respectively.

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- Budget increases in Engineering, Building Standards, and Water/WasteWater recoveries services were a result of activity, departmental cost changes, and anticipated growth trends. These adjustments amounted to \$248k in 2013 and \$142k in 2014.
- An election is slated for 2014 and a corresponding withdrawal in the amount of \$1.024m, based on the past election, is budgeted in 2014.
- The above budget increases were slightly offset by the phase-out of the funding from the fleet reserve in both 2013 & 2014. This is necessary to secure a continuous funding source for fleet department operating costs, leaving fleet reserve funds for the purpose of ensuring assets are replaced when needed.

User Fees / Service Charges

	2012		2013		2014	
	Budget	Change	Budget	Change	Budget	Change
Fees/Charges/Recoveries	\$ 35,974,579	\$ 1,420,708	\$ 36,931,808	\$ 957,229	\$ 38,617,498	\$ 1,685,690

Major Budget Adjustments

- The largest component of the budget increases are related to recreation due to the climbing demand for services, general price increases, York Region transit ticket sales, and the anticipation of the Carville Block 11 community centre in 2014/2015. It should be noted that these increases are largely offset by similar expenditure value increases. Revenue increases related to recreation revenues are \$745k for 2012, \$565k in 2013, and 1.3m in 2014.
- The second largest component of the budget increases are related to an anticipated increase in planning activity. The majority of the 2012 increase is related to an increase in site plan agreements, which better reflect past performance. In addition, development activity is anticipated within the Vaughan Metropolitan Centre, Carville, Concord, and Thornhill development areas. Planning revenues are slightly lower in future years as the fee by-law expires in 2012 and price increases for 2013 and 2014 are not determined. Based on the above, planning revenues are anticipated to increase \$767k for 2012, \$328k in 2013, and \$346k in 2014.
- Licensing revenues also increased to reflect general price and volume estimates. The 2012 budget increase is larger than future years to reflect historical performance. Budget increases are \$103k for 2012, \$42k in 2013, and \$45k in 2014.

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- The above 2012 budget increases were slightly offset by the following:
 - A \$153k decrease in Development Transportation Recoveries, due to a provincial decision to supply support to coordinate the subway extension project. This reduction is offset by a related reduction in contract expenses.
 - A \$22k decrease in Public Works revenues resulting from a correction to actual performance as it relates to recoveries from York Region for winter road maintenance duties.
 - A \$22k decrease in Enforcement Services revenues to reflect historical signage fee volumes.
- The remaining budget adjustments are relatively minor in nature.

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.

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. 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. Detailed below is a summary of department and estimated full cost recovery ratios for these areas:

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Department Budgeted Recovery (Figures in Thousands)	Recreation	Licensing	Enforc. Services	Planning	COA	Building Standards (OBC)	Building Standards (Non-OBC)
Revenues	\$ 17,728	\$ 1,070	\$ 2,196	\$ 3,199	\$ 411	* \$ 8,308	\$ 441
Expenditures	19,187	629	4,915	2,875	566	5,762	615
Subsidy/(Surplus)	1,459	(441)	2,719	(324)	156	(2,546)	173
2012 Dept Budget Recovery Ratio	92%	170%	45%	111%	73%	144%	72%
2013 Dept Budget Recovery Ratio	93%	175%	44%	120%	71%	144%	71%
2014 Dept Budget Recovery Ratio	96%	181%	43%	131%	71%	145%	70%
Memo: 2011 Dept. Budget Recovery Ratio	95%	162%	46%	88%	74%	158%	65%
Full Cost Estimate (ABC Model)	** \$ 40,202	\$ 1,484	\$ 4,504	\$ 5,100	\$ 989	\$ 8,310	1,219
Subsidy/(Surplus)	22,475	414	2,308	1,901	579	2	778
2012 Full Cost Recovery Ratio	44%	72%	49%	63%	42%	100%	36%
2013 Full Cost Budget Recovery Ratio	44%	74%	48%	68%	41%	100%	36%
2014 Full Cost Budget Recovery Ratio	46%	76%	47%	74%	41%	100%	36%
Memo: 2011 Full Cost Budget Recovery Ratio	44%	66%	50%	49%	43%	100%	32%
Policy Recovery Goal	95% Dept. Cost	100% Full Cost		100% Full Cost	100% Full Cost	100% Full Cost	

* Building Standards revenues include a \$870,000 draw from Building Standards Continuity Reserve in 2012, \$990,000 in 2013, and \$1,050,000 in 2014.

** Recreation Building & Facility costs approximately \$15.2M in 2012, \$15.6 in 2013, and \$16.1M in 2014.

As illustrated above, most areas are recovering more than 70% of their department budgets. Overall, recovery targets are remaining stable with some isolated exceptions. It should be noted that most labour agreements expire early 2012 and costs associated with contract renewals are not incorporated in the above department expenses making planned recovery targets mildly optimistic. It should also be noted, that all program full costs with exception for Building Standards, are partially subsidized providing an opportunity to revisit these policies should actions be required to reduce the draft operating budget taxation requirement. Illustrated below are brief comments related to each of the above sections.

- Building Standards continues to maintain a 100% building code full cost recovery target with a draw from the Building Standards Service Continuity Reserve in anticipation of lower volumes created by the slow economic recovery.
- Licensing also continues to achieve their target of recovering business licensing full costs. 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. Planned recovery targets are not anticipated to fall below 2012 projections, despite the lack of post 2012 labour agreement impacts.
- Recreation is planning to recover 96% of their departmental costs by 2014. Presented targets are mildly optimistic as future cost increases associated with labour agreement renewals are not included and could reduce the planned recovery to a figure slightly below their policy target of 95%.

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- Enforcement Services recovery is planned to steadily drop from 50% to 47% between 2011 & 2014. It should be noted that a recovery policy is not in place for enforcement services, as this service is driven by compliance. However, in prior budgets it was anticipated the recovery would improve with the implementation of the Administration Monetary Penalties initiative intended to streamline the process and improve City collection efforts, but this has not yet materialized.
- Planning full cost recovery is steadily climbing from 49% in 2011 to a planned 74% in 2014, which is a great improvement over past budgets. COA recovery targets are holding flat at roughly 40% of full costs.

Other Fees

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. Most of the fees discussed above are based on existing studies and multi-year bylaws, which expire at varying intervals and therefore the above guidelines are focused on the General User Fee By-law, which captures a variety of minor/miscellaneous fees. This exercise is proposing to reduce the 2012-2014 Operating Plan by approximately \$29,867 in 2012 and \$28,575 in 2013, \$30,820 in 2014, which is provided for in contingency until the proposed user fee / service charge increases are approved by Council. For future budget processes, it would be of a great benefit to coordinate and consolidate the planning of these by-laws for review, update, and budget approval under one process.

Corporate Revenues

	2012		2013		2014	
	Budget	Change	Budget	Change	Budget	Change
Corporate Revenues	\$ 17,501,578	\$ 186,819	\$ 17,804,378	\$ 302,800	\$ 18,159,150	\$ 354,772

Major Budget Adjustments

- PowerStream Dividends – Based on financial forecasts this corporate revenue source is anticipated to increase in 2012 by \$1.25m, 2013 by \$450k, and 2014 by \$600k.
- Investment Income – As discussed last year, there is a need to change the methodology used to allocate investment income between the operating budget and reserve accounts. As a result, investment income allocated to the operating budget is phased down in 2012 by \$750k, 2013 by \$250k, and 2014 by \$250k.
- Fines and Penalties – The corporate fine and penalty budget was reduced by \$300k in 2012 to better reflect actual historical trends experienced. This budget is expected to increase by \$100k in 2013 due to the current economic climate and stabilize through 2014.
- The remaining budget year differences consist of relatively minor budgets and changes.

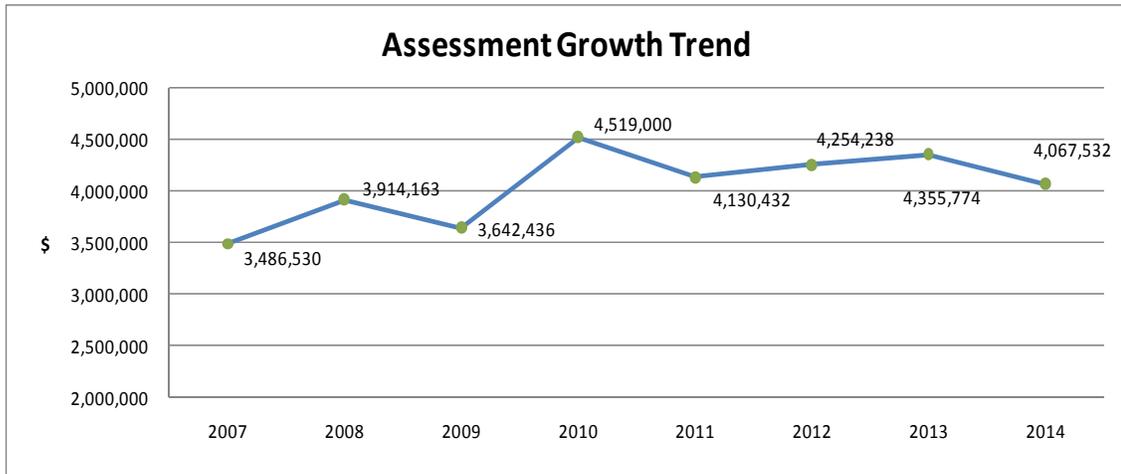
Assessment Growth

For 2012–2014 assessment growth is estimated to remain stable at 3% and relatively consistent with prior year values. This is consistent with the economic outlook that growth will be gradual.

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Although not specifically allocated, these funds help offset the increasing service costs associated with community growth. To illustrate this point, each year city additions are made:

- Roads
- Sidewalks
- Waste/recycling stops
- Streetlights
- Parkland
- Trails
- Library's
- Fire operations, etc.

All the above additions require funds to operate and maintain service levels. Included in the Draft 2012- 2014 Operating Plan are estimates for staffing, contracts, utilities and associated renewal costs supporting growth. Below are a few items that are indirectly funded through assessment growth.

- Prior year impacts
 - In 2012 \$935k is required for station 7-10, Vellore fitness centre expansion, and other growth related items.
- Contract and utility volume increases
 - On average the City's budget increases by \$400k -\$600k for this purpose
- Infrastructure renewal
 - As a City grows infrastructure is added, which is initially funded by the development industry, with replacement costs borne by the City at a later date. Additional funding associated with these costs is estimated to be between \$800k to \$2.5m annually.
- Additional Resource Requests
 - Typically \$1m -\$2m are approved each year to service growth i.e. fire engines, community centers, parks, etc.

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C) Base Budget Expenditure Review

As illustrated in the Revenue and Expense Summary in Section 1 of the Attachment, the City's expense budget changed as follows:

	2012		2013		2014	
	Budget	Change	Budget	Change	Budget	Change
Base Budget Expenditures	\$ 222,953,124	\$ 6,406,701	\$ 233,632,270	\$ 10,679,146	\$ 244,177,001	\$ 10,544,731

2012 is presented lower than future years due to process adjustments in fleet and insurance, which are met by similar offsetting reductions in revenues. Overall the impact is neutral. Without these masking adjustments the true 2012 increase is \$9.8m or a 4.5% increase, which is more consistent with 2013 and 2014 projections. Further information regarding specific expense budget adjustments are provided below.

Departmental Expenditures

2012 increase of \$5.0m, including the \$536k Library Board increase:

This represents an increase of 2.6% over the 2011 departmental budget, and largely due to the following items:

- Of the total departmental budget increase, \$5.6m is related to changes to support the City's workforce consisting of the following:
 - \$2.6m in economic adjustments, as per established agreements, excluding associated benefits.
 - \$1.3m increase in benefits due to additional complement, economic adjustments, and benefit rate increases caused by increasing OMERS contributions and EI/ CPP thresholds.
 - \$805k related to prior year budget gapping (Station 7-10 firefighters, Vellore Village Fitness Centre staffing, and other compliments).
 - The remaining balance is related to progressions, job-evaluations, part-time surveys, 3/6/9 fire retention phase in, market adjustments etc. Approximately \$100k is related to increases in the Library due to a 2010 management market survey.
- Insurance expense premiums and planned claims expenses increased by \$1.6m or 50% as a result of a recent insurance contract award. A report regarding insurance will be provided to Committee/Council in the near future.
- \$432k relates to pressures from contracted services. These increases are the result of growth demands and industry price obligations. Overall, contract service lines increased by 0.2% and relate to winter control, ITM services, waste management etc. This figure is lower than historical trends due to savings found in contract street lighting in the amount of \$241k which were reallocated to the contingency account for future corporate initiatives.
- A \$454k increase in gas/diesel fuel due to rising prices and more vehicles as permitted in the approved budget guidelines.
- A \$440k increase in YRT ticket purchases to match historical trends. The revenue was increased the same and the net effect is neutral.

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- The remaining increases are minor and in various other accounts.
- The above department increases were partially reduced by \$3.8m for the following corporate reallocations and adjustments.
 - Infrastructure contributions embedded within the Fire, Heritage, & City Playhouse departments were transferred and consolidated with like contributions in the corporate section, approximately \$1.4m.
 - A process change to isolate insurance to one account resulted in the removal of various arbitrary allocations to departments, approximately \$2.3m. This action is neutral and met with similar reductions in insurance reserve transfers.

2013 & 2014 increases of \$5.0m and \$3.9m, respectively

The City's Workforce: Consistent with 2012, the largest pressure for 2013 and 2014 are requirements to fund the City's workforce estimated at \$2.5m and \$1.7million, respectively. The 2013 and 2014 plan steadily drops due to expiring labour contracts and the timing out of staff progressions. Post agreement labour estimates are planned for in corporate contingency along with other uncertain events. Also incorporated in these figures are benefit rate increases from 26% to 26.7% to 27.4% caused by increasing OMERS contributions and EI/ CPP thresholds.

Contracts: The second largest component of the 2013-2104 department expenditure increases is related to pressures from contract services, \$1.1m and \$700k, respectively. These increases are typically the result of increasing demands on services due to growth and industry price obligations. Overall contract service lines increased 3.5% and 2.2%, respectively, and mainly relating to waste management, streetlight maintenance, winter control, ITM services, etc.

Utilities: The third largest component of the 2013-2104 department expenditure increases is related to utilities, \$490k and \$628k, respectively. These increases are typically the result of increasing volumes and industry price expectations as permitted in the guidelines.

Insurance - Premiums and planned claim expenses are anticipated to rise by 10% per year, based on industry trends and projections, translating to a \$471k increase for 2013 and a \$478k increase for 2014.

The remaining balance consists of relatively minor increases in multiple accounts.

Explanations for Department Budget Changes in excess of \$100k are provided in the attachment under Section 4 – Base Budget Analysis & Other Information and Section 8 – Department Information.

Corporate Expenditures

Corporate expenditures contributed to the remaining City expenditures, which required the following adjustments:

	2012		2013		2014	
	Budget	Change	Budget	Change	Budget	Change
Corporate Expenditures	\$ 26,558,189	\$ 1,432,169	\$ 32,250,743	\$ 5,692,554	\$ 38,922,157	\$ 6,671,414

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Explanations for the budget increases are as follows:

2012 Increase of \$1.4m:

- The City’s contingency budget increased by \$1.4m and relates to future labour agreement negotiations and certain foreseeable events i.e. fee increases, etc. Once the outcomes of these events are determined, balances will be reallocated to the appropriate department budgets.
- Corporate Expenditures decreased by \$1.8m and are attributable to the following:
 - Removal of City Hall reserve \$1m funding as the project is completed and funding is secure for debenture allocation.
 - A process change to isolate insurance to one account resulted in the removal of the arbitrary corporate insurance allocation, approximately \$0.9m. This action is neutral and met with similar reductions in insurance reserve transfers
 - A \$300k increase in anticipated labour savings to keep in line with the increase in labour costs and associated churn and gapping.
 - The balance is associated with projected cost increases for tax adjustments, joint services and bank charges.
- Reserve contributions increase by \$1.6m, mainly caused the following:
 - \$608k in additional reserve contributions, resulting from the recent policy approval
 - \$1.4m reallocation from Fire, Heritage and City Playhouse departments in order to consolidate these types of transfers. As mentioned earlier this action has a neutral impact and is met with decreases in department areas.
 - A reduction in the roads infrastructure reserve to better align savings obtained through the 2011 budget process.
- Capital from taxation increase by \$132k as result of the recently adopted infrastructure policy.

<u>Guideline Expenditure Increase</u>		2012	%	Tax Rate
<u>Corporate Expenditures</u>		\$ Impact	Incr.	% Impact
Long Term Debt		171,326	1.4%	0.1%
Contingency		1,372,414	79.9%	1.0%
Reserve Contributions				
-Fire & Rescue Contribution	1,174,726			
-Streetscape	323,328			
-Roads Infrastructure	(307,656)			
-Heritage and City Playhouse	219,000			
-Other	202,945	1,612,343	51.4%	1.1%
Capital from taxation		132,580	2.0%	0.1%
Corporate Expenses				
Corporate Insurance	(866,345)			
Tax Adjustments	200,000			
Anticipated Labour Savings	(300,000)			
City Hall Funding	(1,000,000)			
Other	109,851	(1,856,494)	-119.3%	-1.3%
Total Corporate Expenditure Change		1,432,169	5.6%	1.0%

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2013 & 2014 increases of \$5.7m and \$6.7m respectively

City Contingency - The City's contingency account relates to future labour agreement negotiations and certain foreseeable events i.e. fee increases, corporate reorganizations, etc. Once the outcomes of these events are determined, balances will be reallocated to the appropriate department budgets. 2013 and 2014 budget increases are estimated at \$2.8m and \$3.6m respectively.

Long-term Debt - The repayment of long term debt in 2013 and 2014 is planned to increase by \$1.9m and \$1.7m respectively, primarily to fund major road projects, as per the road program. Debenture reserve funding increased by \$1m and \$800k respectively to smooth this cost. When combined, the net impact is \$900k per year.

Corporate Expenditures – There are no major budget changes for 2013, but an election is slated for 2014 and the corresponding estimated expense at \$1.024m is planned, based on the past election costs. This cost is fully offset by revenues from the election reserve. The above cost is offset by minor adjustments in other accounts.

Reserve Contributions - Based on the recently adopted infrastructure funding policy, infrastructure reserve contributions are anticipated to increase in relation to the addition and cost escalation of assets. As a result the 2013 and 2014 budgets are anticipated to increase by \$528k and \$388k.

Capital from Taxation - Based on the recently adopted infrastructure funding policy, Capital from Taxation is anticipated to increase by an inflationary component in order to maintain pace with market values. However, the number of projects for this funding source is escalating and based on capital plans additional funds will be required in 2013, approximately \$511k. It should be noted this budget has remained relatively unchanged for the past decade.

	2013			2014		
	\$ Impact	% Incr.	Tax Rate % Impact	\$ Impact	% Incr.	Tax Rate % Impact
Long Term Debt	1,939,242	15.8%	1.3%	1,749,787	12.3%	1.1%
Contingency	2,790,199	90.3%	1.9%	3,584,945	61.0%	2.3%
Reserve Contributions						
-Fire & Rescue Contribution	22,361			22,809		
-Streetscape	289,250			144,920		
-Parks Infrastructure	135,322			150,403		
Other	104,232	551,165	11.0%	93,756	411,888	7.4%
Capital from taxation	511,948	7.6%	0.3%	0	0	0.0%
Corporate Expenses						
Elections				1,024,794		0.6%
Anticipated Labour Savings	(100,000)	3.0%	-0.1%	(100,000)	2.9%	-0.1%
Total Corporate Expenditure Change	5,692,554	17.6%	3.8%	6,671,414	17.1%	4.2%

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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:

Operating Expenditures	2012			2013			2014		
	Base Budget (\$)	% of Total Budget	Cumulative (%)	Base Budget (\$)	% of Total Budget	Cumulative (%)	Base Budget (\$)	% of Total Budget	Cumulative (%)
Salaries and Benefits	127,131,190	57.0%	57.02%	129,649,339	55.5%	55.49%	131,352,974	53.8%	53.79%
Service Contracts	31,515,058	14.1%	71.2%	32,606,658	14.0%	69.4%	33,307,832	13.6%	67.4%
Long Term Debt	11,676,417	5.2%	76.4%	13,615,659	5.8%	75.3%	15,365,446	6.3%	73.7%
Reserve Contributions	5,279,114	2.4%	78.8%	5,956,724	2.5%	77.8%	6,344,492	2.6%	76.3%
Maintenance/Materials	9,977,612	4.5%	83.2%	10,016,057	4.3%	82.1%	10,176,099	4.2%	80.5%
Utilities & Fuel	8,742,193	3.9%	87.2%	9,232,331	4.0%	86.1%	9,860,021	4.0%	84.5%
Capital from Taxation	6,762,102	3.0%	90.2%	7,274,050	3.1%	89.2%	7,274,050	3.0%	87.5%
Insurance Expenses	4,662,000	2.1%	92.3%	5,133,000	2.2%	91.4%	5,610,600	2.3%	89.8%
Professional Fees	2,289,552	1.0%	93.3%	2,291,032	1.0%	92.4%	2,292,572	0.9%	90.7%
Contingency	3,090,413	1.4%	94.7%	5,880,612	2.5%	94.9%	9,465,557	3.9%	94.6%
Tax Write Offs	1,600,000	0.7%	95.4%	1,600,000	0.7%	95.6%	1,600,000	0.7%	95.3%
All Other	10,227,473	4.6%	100.0%	10,376,808	4.4%	100.0%	11,527,358	4.7%	100.0%
Total Draft Expenditures	222,953,124	100.0%	--	233,632,270	100.0%	--	244,177,001	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.

Detail on the "All Other Expenditures" is provided in the attachment under Section 4 – Base Budget Analysis & Other Information.

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 Finance and Administration Committee and Council consideration. As a result, departments submitted over 136 additional resource requests with a total cost of over \$16.7m, all of which are valued by the submitting departments. It should be noted \$1.7m in requests are fully or partially self funded, which demonstrates staff's willingness to redirect existing resources and manage their finances in a prudent manner.

Consistent with prior years and demonstrating respect for the tax payer's dollar, the Senior Management Team and the Director's Working Group reviewed, evaluated, and prioritized all additional resource requests based on their merits and the following criteria:

- Vaughan's Vision and the Corporate Planning process linkages
- Value Proposition
- Regulatory Requirements
- Risk Management
- Internal Operational Requirements
- Capital Timing and Funding Availability

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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. Reducing the initial submission balance to a more manageable level was very difficult for decision makers, who were frequently faced with the dilemma of choosing between “building a progressive city” and “keeping tax rates low”. 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, some redistributed within the planned years, and 53 requests or approximately \$7.8m deferred beyond the 2012-2014 plan for future budget consideration.

In many situations the result is not optimal, potentially compromising service levels, but necessary to minimize perceived tax pressures on the community. The above situation further supports the need to begin planning resources beyond a single year in order to address future opportunities and funding challenges.

The Senior Management Team’s funding recommendation is a blend of both ideals driven by the following:

- Community Safety - fire operations, community enforcement & traffic management
- Essential Resources to Continue City Services – Thornhill Woods library, parks and forestry, support services, etc.
- City initiatives – zoning by-law review, operational review, electronic document management, Vaughan Metropolitan Centre, municipal sponsorship, environment action plans, etc.

	2012	2013	2014
Net Taxation Change	\$2.8m	\$2.91m	\$3.20m
Avg. Residential Tax Rate Change	1.98%	1.91%	1.99%
Avg. Residential Tax Bill Change	\$23.32	\$23.56	\$25.59

This information is important, as it provides added visibility to our community stakeholders and decision makers on the timing and resourcing of city services and initiatives. The result of the Senior Management Team’s funding recommendation for 2012-214 is as follows:

**REPORT NO. 18 OF THE FINANCE AND ADMINISTRATION COMMITTEE
FOR CONSIDERATION BY COUNCIL, NOVEMBER 29, 2011**

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2012 Additional Resource Requests

#	Note 1	Note 2	Department	Description	# of Positions	2012 Net FTE	2012 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
2012 Base Budget Increase									2.60%	2.60%
Budget Impact										
1	✓	✓	Building Standards	Zoning By-law Review	4	4.23	359,395	359,395	0.25%	2.85%
2		✓	Strategic Planning	Operational/Business review Consulting Support	-	-	130,000	489,395	0.09%	2.95%
3		✓	Development Planning	Urban Designer - VMC	1	1.00	92,856	582,251	0.07%	3.01%
4	✓		B&F	McMillan Farm Building Maintenance	-	-	35,000	617,251	0.02%	3.04%
5	✓		Parks & Forestry Ops.	McMillan Farm Land Maintenance	-	-	25,000	642,251	0.02%	3.05%
6	✓	✓	Policy Planning	Senior Policy Planner (2 yr contract) OP/OMB	1	1.00	94,879	737,130	0.07%	3.12%
7		✓	HR	Professional Fees - Engagement Survey	-	-	50,000	787,130	0.04%	3.16%
8	✓		Library	Thornhill Woods Neighb. Library - Operations	-	-	148,500	935,630	0.10%	3.26%
9	✓		Library	Thornhill Woods Neighb. Library - Staffing	9	9.02	531,946	1,467,576	0.38%	3.64%
10		✓	Access Vaughan	2 Permanent P/T Staff Access Vaughan	1	1.38	81,552	1,549,128	0.06%	3.69%
11		✓	Budgeting/Financial Plan.	Special Projects Analyst	1	1.00	95,221	1,644,349	0.07%	3.76%
12			Eco. Development	Strategy to Implement a Municipal Sponsorship Pro	-	-	55,000	1,699,349	0.04%	3.80%
13		✓	HR	Administrative Coordinator	1	1.00	81,992	1,781,341	0.06%	3.86%
14		✓	Fire Training	Training Officer	1	1.00	132,565	1,913,906	0.09%	3.95%
15			Recreation	Client Serv. Supervisor R&C - CSD (FTE Convers	1	-	19,750	1,933,656	0.01%	3.97%
16	✓		Parks & Forestry Ops.	Temporary Seasonal Employees (2012X2, 2013X2	1	1.38	63,019	1,996,675	0.04%	4.01%
17			Enforcement Services	Property Standards Officer	2	2.00	150,211	2,146,886	0.11%	4.12%
18			Parks & Forestry Ops.	10 Month Forestry Temps (Emerald Ash Borer) X2	1	1.38	49,244	2,196,130	0.03%	4.15%
19	✓		Parks & Forestry Ops.	Tree Pruning (routine street pruning)	-	-	150,000	2,346,130	0.11%	4.26%
20		✓	Library	VPL Citizen Telephone Survey	-	-	35,000	2,381,130	0.02%	4.28%
21			B&F	Facility Operator I - New City Hall	1	1.00	55,859	2,436,989	0.04%	4.32%
22	✓		B&F	Facility Operator I - Vellore Vill. CC Expansion	1	1.00	55,859	2,492,848	0.04%	4.36%
23	✓	✓	Fire Communications	Communication Operators	2	2.00	155,961	2,648,809	0.11%	4.47%
24	✓		Purchasing Services	Senior Technical Clerk	1	1.00	73,013	2,721,822	0.05%	4.52%
25			Emergency Planning	Emergency Planner (Partial FTE Conversion)	1	0.69	78,663	2,800,485	0.06%	4.58%
Total of ARRs Recommended by Senior Management Team					48	40.55	\$ 2,800,485		1.98%	

Total Tax Increase (1%=\$1,414,877)

2012 Base Budget Increase

Tax Increase due to ARRs Recommended by Senior Management Team

4.58%

2.60%

1.98%

Note 1: Indicates a minimum requirement.

Note 2: Indicates ARR has link to Vaughan Vision, strategy or master plan.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 29, 2011

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2012 Additional Resource Requests

#	Note 1	Note 2	Department	Description	# of Positions	2012 Net FTE	2012 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
2012 Base Budget Increase									2.60%	2.60%
Zero Budget Impact										
A1		✓	Dev/Trans. Eng	Manager of Transportation Engineering	1	1.00	-	-	0.00%	2.60%
A2	✓	✓	Dev/Trans. Eng	TTC/YRRT - Construction Liaison/Inspector	1	1.00	-	-	0.00%	2.60%
A3	✓		PW - Roads	Maintenance of New Pedestrian Walkway	-	-	-	-	0.00%	2.60%
A4		✓	HR	Learning & Dev. Specialist	1	1.00	-	-	0.00%	2.60%
A5		✓	Corporate Comm.	Public Relations Strategic and Media Mgmt	1	1.00	-	-	0.00%	2.60%
A6			Dev/Trans. Eng	Manager, Special Projects	1	1.00	-	-	0.00%	2.60%
A7			PW - Roads	Roads Foreperson	1	1.00	-	-	0.00%	2.60%
A8		✓	Corporate Comm.	Comm. Specialist, Client/Issue Mgmt (FTE Conversion)	1	-	-	-	0.00%	2.60%
A9			Fleet	Mechanic II (FTE Conversion)	1	-	-	-	0.00%	2.60%
A10	✓		Cultural Services	PT Graphics Services Tech. (FTE in lieu of Prof fees)	1	0.59	-	-	0.00%	2.60%
A11	✓	✓	Eco. Development	VBEC Transfer of 2 Contract Positions to FTEs (FTE Conversion)	2	-	-	-	0.00%	2.60%
A12			Reserves & Investments	Investment Software	-	-	-	-	0.00%	2.60%
A13			Policy Planning	Permanent P/T Clerk Typist	1	0.69	-	-	0.00%	2.60%
A14			ITM	Tech. Specialist DBA (FTE in lieu of Prof Fees/Contract)	1	1.00	-	-	0.00%	2.60%
A15			Dev/Trans. Eng	Lot Grading Application Expediter	1	1.00	-	-	0.00%	2.60%
A16			Eng. Serv.	Utility Inspector	1	1.00	-	-	0.00%	2.60%
A17			ITM	Sys. Analyst/Proj. Leader (VOL) (FTE Conversion)	1	-	-	-	0.00%	2.60%
A18			ITM	Web Architect (FTE Conversion)	1	-	-	-	0.00%	2.60%
A19			Accounting Services	PT Accounting Clerk (Partial FTE Conversion)	1	0.19	-	-	0.00%	2.60%

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2013 Additional Resource Requests

#	Note 1	Note 2	Department	Description	# of Positions	2013 Net FTE	2013 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
2013 Base Budget Increase									2.71%	2.71%
Impact of 2012 ARRs on 2013									-0.10%	2.61%
<u>Zero Budget Impact</u>										
A1	✓	✓	Dev/Trans. Eng	Transportation Engineer	1	1.00	-	-	0.00%	2.61%
<u>Budget Impact</u>										
1	✓	✓	Building Standards	Zoning By-law Review	5	5.00	633,929	633,929	0.42%	3.02%
2		✓	Environmental Sustainability	Local action plan for reducing GHG emissions	-	-	22,500	656,429	0.01%	3.04%
3		✓	Strategic Planning	PM Software Maintenance Costs	-	-	10,000	666,429	0.01%	3.04%
4		✓	City Clerk	EDMS Business Analyst	1	1.00	118,791	785,220	0.08%	3.12%
5		✓	City Clerk	EDMS Technical SME	1	1.00	118,791	904,011	0.08%	3.20%
6		✓	Strategic Planning	On-Line Citizen Public Engagement Survey	-	-	75,000	979,011	0.05%	3.25%
7		✓	Eco. Development	Employment Zone, VMC Marketing	-	-	50,000	1,029,011	0.03%	3.28%
8	✓	✓	Development Planning	Senior Planner/Project Mgr (Contract) Hospital	1	1.00	106,631	1,135,642	0.07%	3.35%
9		✓	HR	Learning & Development Specialist	1	1.00	100,462	1,236,104	0.07%	3.42%
10	✓		Fire & Rescue Operations	STN 75 - 16 Firefighters & 4 Captains	20	20.00	1,703,727	2,939,831	1.12%	4.53%
11	✓		B&F	Facility Operator I - Fr. Ermanno CC Expansion	1	1.00	56,581	2,996,412	0.04%	4.57%
12		✓	City Clerk	Claims Analyst	1	1.00	77,319	3,073,731	0.05%	4.62%
Total of ARRs Recognized by Senior Management Team					32	32.00	3,073,731		2.02%	

Total Tax Increase (1%=\$1,524,327)

2013 Base Budget Increase

Tax Increase due to ARRs Recognized by Senior Management Team

4.62%
2.71%
1.91%

Note 1: Indicates a minimum requirement.

Note 2: Indicates ARR has link to Vaughan Vision, strategy or master plan.

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2014 Additional Resource Requests

#	Note 1	Note 2	Department	Description	# of Positions	2014 Net FTE	2014 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
2014 Base Budget Increase									1.86%	1.86%
Impact of 2012-13 ARR's on 2014									0.04%	1.90%
Budget Impact										
1		✓	HR	HR Specialist, Workplace Health and Safety	1	1.00	120,997	120,997	0.08%	1.97%
2			B&F	Assistant Foreperson	1	1.00	62,687	183,684	0.04%	2.01%
3			Enforcement Services	Property Standards Officer	1	1.00	73,037	256,721	0.05%	2.06%
4			Enforcement Services	Property Standards Officer	1	1.00	73,499	330,220	0.05%	2.10%
5		✓	Parks & Forestry Operations	Community Services Asset Management Coord	1	1.00	106,365	436,585	0.07%	2.17%
6			Parks & Forestry Operations	Emerald Ash Borer (EAB) Tree Removals	-	-	460,000	896,585	0.29%	2.46%
7			Parks & Forestry Operations	Emerald Ash Borer (EAB) Tree Stump Removal	-	-	50,000	946,585	0.03%	2.49%
8			Parks & Forestry Operations	Forestry Arborist	1	1.00	69,889	1,016,474	0.04%	2.53%
9		✓	HR	HR Specialist, Absence and Disability Managem	1	1.00	92,420	1,108,894	0.06%	2.59%
10		✓	Fire & Rescue Operations	4 District Chiefs	4	4.00	538,995	1,647,889	0.33%	2.92%
11		✓	Fire & Rescue Operations	4 District Chiefs	4	4.00	538,995	2,186,884	0.33%	3.26%
12		✓	PW - Admin	Operations Review Analyst	1	1.00	94,479	2,281,363	0.06%	3.31%
13		✓	Economic & Business Devel	Business Development Officer - Advanced Good	1	1.00	90,046	2,371,409	0.06%	3.37%
14		✓	Corporate Comm.	Communications Specialist, Website Content M	1	1.00	89,320	2,460,729	0.06%	3.43%
15		✓	Corporate Comm.	Communications Specialist, Client Services	1	1.00	89,320	2,550,049	0.06%	3.48%
16	✓		PW - Roads	Roads Labourer	1	1.00	53,468	2,603,517	0.03%	3.51%
17	✓		PW - Roads	Equipment Operator II - Heavy Equipment Opera	2	2.00	138,559	2,742,076	0.09%	3.60%
18	✓		PW - Roads	Equipment Operator I	2	2.00	136,125	2,878,201	0.08%	3.68%
19			Library	eMarketing & Communications Specialist - Pilot	1	1.00	76,785	2,954,986	0.05%	3.73%
20			Parks & Forestry Operations	Additional GPS Units	-	-	30,000	2,984,986	0.02%	3.75%
21	✓		Parks & Forestry Operations	Temporary Seasonal Employees (2012X2, 2013	1	1.38	63,467	3,048,453	0.04%	3.79%
22		✓	HR	Awards Budget Increase	-	-	15,000	3,063,453	0.01%	3.80%
23			Cultural Services	Diversity & Inclusivity Signage and Communicat	-	-	75,000	3,138,453	0.05%	3.85%
Total of ARR's Recognized by Senior Management Team					27	27.38	3,138,453		1.95%	

Total Tax Increase (1%=\$1,611,630)

2014 Base Budget Increase

Tax Increase due to ARR's Recognized by Senior Management Team

3.85%
1.86%
1.99%

Note 1: Indicates a minimum requirement.

Note 2: Indicates ARR has link to Vaughan Vision, strategy or master plan.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 29, 2011

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Additional information on the 2012-2014 resource requests are provided in the Operating Plan Package attachment:

- Section 5 - Additional Resource Request Lists
- Section 8 – Department Information (Financials, Business Plans, & Request Submissions)

Relationship to Vaughan Vision 2020

The Draft 2012 Operating Budget and 2013-2014 Operating Plan 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 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. The resulting outcome of above efforts is illustrated below in the building the budget diagram.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 29, 2011

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BUILDING THE BUDGET

Components	2012			2013			2014		
	Rate Incr.	\$ (m)	Bill Incr.	Rate Incr.	\$ (m)	Bill Incr.	Rate Incr.	\$ (m)	Bill Incr.
Base Budget	2.62%	3.70	30.84	2.65% <i>(see note)</i>	4.04	32.62	1.27% <i>(see note)</i>	2.05	16.40
ARR	1.98%	2.80	23.32	1.91%	2.91	23.56	1.99%	3.20	25.59
Subtotal	4.60%	6.50	54.16	4.56%	6.95	56.18	3.26%	5.25	41.99
Hospital Levy	0.91%	1.29	10.72	0.91%	1.38	11.02	0.00%	-	-
Grand Total	5.51%	7.79	64.88	5.47%	8.33	67.20	3.26%	5.25	41.99

Please note: The 2013 & 2014 base budget rate increase is adjusted down as a result of the inclusion of prior year ARR requests.

Attachments

Attachment: 2012-2014 Operating Plan Package (Available in the Clerk's Department)

Report prepared by:

Clayton Harris, CA
City Manager Ext. 8290

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

John Henry, CMA
Director of Budgeting & 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.)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 29, 2011

Item 2, Report No. 18, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on November 29, 2011.

2 LIBRARY BOARD BUILDING PROGRAM AND DEVELOPMENT CHARGE FORECAST

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance & City Treasurer, dated November 21, 2011:

Recommendation

The Commissioner of Finance & City Treasurer recommends:

That the following report "Library Board Building Program and Development Charge Forecast" be received for information.

Contribution to Sustainability

Not applicable.

Economic Impact

The economic impact relating to the capital costs of the Library Board Building Program from 2011 to 2017 is as discussed in the report. For information purposes, the estimated additional operating costs approved by the Library Board September 15, 2011 that are associated with the Library Board Building Program are summarized below.

2012 Draft Operating Budget:

- Annual additional staffing costs for Thornhill Woods Library projected to be approximately \$532,000.
- Annual additional facility operations costs for Thornhill Woods Library projected to be approximately \$148,500.

2015 Draft Operating Plan (Submitted for 2014 by Library Board)

- Annual additional staffing costs for Civic Centre Resource Library projected to be approximately \$1,843,200
- Annual additional Resource Library facility operations costs of \$475,000

Communications Plan

Not applicable

Purpose

The purpose of this report is to provide Council with information regarding the Library Board Building Program and the forecasted Library Development Charges to 2018.

Background – Analysis and Options

On July 6, 2011 Council approved the following resolution:

"That staff provide a report with respect to moving forward on the construction of libraries in the City of Vaughan and include updates on lot levies as they come in."

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 29, 2011

Item 2, Finance Report No. 18 – Page 2

The 2008 Development Charge (DC) Background Study and By-law were approved in 2008. The Library's 10 year average service level prior to 2008 established the Library development charge rate in the 2008 DC by-law, subject to semi-annual adjustment based on the building cost index permitted by the Development Charges Act.

The Background Study sets out the Library Board building program from 2009 to 2015, based on the assumed growth forecast included in the study. The intent is to align capital spending with DC cash available (revenues received), in order to maintain the current service level. Building in advance of, or subsequent to population growth, impacts the 10 year average service level.

The attached schedule illustrates the projected Library Board building program, based on forecasted development charge revenues and the 5 year draft Capital Budget approved by the Library Board on September 15, 2011 and submitted to the City for the 2012 budget process. The DC revenue forecast is revised from the forecast provided in the 2008 Development Charge Background study, and is based on an update to the growth forecast developed by Watson and Associates in 2011. Indexing has not been applied to the rates, and inflation has not been applied to costs shown on the schedule

The key points in the schedule are:

- The DC revenues shown are the combined total for land, building, furniture and equipment and materials.
- An additional 7,500 sq. ft. library was added to the capital program in 2011 for Thornhill Woods, as a result of the Library Board decision. The additional library was achieved through a reallocation of 7,500 sq. ft. from the Block 11 Carrville Library, which was originally 15,000 sq. ft.
- The timing for the construction of the Resource Library on the Civic Centre site shifted from 2010 as contemplated in the 2008 DC Background Study to 2012 as per the Library's budget submission.
- The Library Board adjusted the size of the Block 11 Carrville Library from 15,000 sq. ft. to 7,500 sq. ft. to allow sufficient capacity for the Thornhill Woods Library. The timing for the construction of the Blk. 11 Library shifted from 2013 to 2015.
- The Vellore Library construction has shifted from 2015 as contemplated in the 2008 DC Background Study to a forecasted construction in 2017.
- DC revenue projections are based on a "net population" basis rather than the "gross population" basis used in the 2008 Background Study. The net methodology is used as a result of an unfavourable OMB and Divisional Court decision involving the Town of Orangeville's use of the gross population methodology. The affect of this reduction to the DC rates and resulting revenues can be seen on the attached analysis. For example, in 2016 the projected closing balance for the Library DC account is \$4,978,835 under the net methodology. The 2016 closing balance would have been \$7,041,502 had the use of the gross methodology been permitted. The impact is a loss of \$2.1 million in development charge revenue.

CITY OF VAUGHAN

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Development Charge By-law Review

The attached Library Board Building Program was prepared in advance of updated information that will result from the Development Charge By-law review that is currently underway. The growth forecast and construction costs may be revised, and the impact of the last ten year average service level for Library services will be recalculated. It is expected that it will be necessary to revisit the Library Board Building Program as part of the Development Charge By-law review in 2012.

Relationship to Vaughan Vision 2020/Strategic Plan

N/A

Regional Implications

N/A

Conclusion

The Library Board Building Program as set out in the 2008 DC Background Changes, as well as the amendment to the plan approved by the Library Board incorporating the Thornhill Woods Library, the associated DC revenues, DC Reserve balances and the 5 year capital budget plans as submitted by the Library, are provided for information purposes.

Attachments

- Library Board Building Program 2011 - 2017

Report prepared by:

B. Cribbett

(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 NOVEMBER 29, 2011

Item 3, Report No. 18, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on November 29, 2011.

**3 THE ISLINGTON AVENUE STREETScape
PLAN STUDY – VILLAGE OF KLEINBURG
FILE 21.36
WARD 1**

The Finance and Administration Committee recommends:

- 1) That the recommendation contained in the following report of the Commissioner of Planning, dated November 21, 2011, be approved; and
- 2) That staff consult with Provincial and Federal government agencies to pursue grants and funding opportunities for the Islington Avenue Streetscape Plan Study.

Recommendation

The Commissioner of Planning in consultation with the Commissioner of Engineering and Public Works, Commissioner of Finance and City Treasurer, and Commissioner of Community Services recommends:

1. THAT this report concerning the preliminary cost analysis, implementation and capital funding implications, and the review of long term financial impact on the City operational and maintenance resources for the “Islington Avenue Streetscape Plan Study – Village of Kleinburg”, BE RECEIVED for input and discussion;
2. THAT the total budget required for the Design Development, Construction Documentation, Tender Preparation, Contract Administration and Site Supervision for Phase 1A (Gateway at Highway #27 and Nashville Road) be referred to the 2012 budget deliberations; and
3. THAT Staff consult with stakeholders including the Kleinburg BIA, KARA and others to determine opportunities to cost share implementation within the Kleinburg Community.

Contribution to Sustainability

The proposed “Islington Avenue Streetscape Plan Study – Village of Kleinburg” is consistent with “Green Directions Vaughan”, the City’s “Sustainability and Environmental Master Plan”, specifically:

Goal 1: To significantly reduce our use of natural resources and the amount of waste we generate.

Goal 3: To ensure that Vaughan is a City that is easy to get around with a low environmental impact.

Goal 4: To create a vibrant community where citizens, businesses and visitors thrive.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 29, 2011

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These goals will be supported by the strengthening and improvement of the public realm by enhancing the safety and quality of the pedestrian areas and establishing dedicated bicycle routes, as well as, allowing for a more active public transit in the future. Furthermore, the *“Islington Avenue Streetscape Plan Study – Village of Kleinburg”* will integrate environmentally local and sustainable materials and sustainable features into the streetscape design, utilize hardy and native plant species to the maximum possible extent while minimizing long-term maintenance requirements, encourage recycling within the area, and use energy-efficient pedestrian scale lighting.

Economic Impact

The total estimated budget of \$3.9 million for the future Design Development and Construction associated with the *“Islington Avenue Streetscape Plan Study – Village of Kleinburg”* is included in the City of Vaughan Development Charges Background Study, August 2008. However, the DC Background Study determined the funding for this Capital streetscape project can only be partially funded through Development Charges; this will result in a substantial amount of the total construction budget being funded through other sources, which is further detailed under the Background – Analysis and Options section of this report and in the chart shown on Attachment #2.

It should be noted that the shortfall would require cost sharing including other agencies/stakeholders to lessen the short term financial impacts of early implementation.

Long Term Annual Operating and Maintenance

The enhanced streetscape works associated with the *“Islington Avenue Streetscape Plan Study – Village of Kleinburg”* will have a long term impact on future City resources due to the increased annual operating cost (maintenance program), and the replacement life cycle/cost associated with these enhanced streetscape elements. The cost of the annual maintenance and life cycle replacement associated with grass cutting, surface paving, tree planting, benches, garbage pick-up, lighting, snow removal, parking lay-bys, gateway hardscapes and all special streetscape character materials such as water wheels, clocks, kiosks, etc., need to be budgeted for in the City's long term Operating and Capital forecasts.

Staff in the Vaughan Public Works Department and Vaughan Parks and Forestry Department have provided a preliminary comprehensive cost analysis shown on Attachment #2 for the long term annual maintenance of the proposed streetscape works in the *“Islington Avenue Streetscape Plan – Village of Kleinburg”*.

This annual maintenance cost analysis will be used as input into the decision-making process for City Council and staff with respect to appropriate detailed streetscape design, and provide the necessary annual maintenance cost, and life cycle replacement cost for use by staff to budget for future resources.

Communications Plan

The Vaughan Development Planning Department has posted an electronic version of the *“Islington Avenue Streetscape Plan Study – Village of Kleinburg”*, on the Development Planning Department page of the City of Vaughan website. As the implementation of the project takes place, further updates will be posted on the website.

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Purpose

The purpose of this report is to obtain input on the proposed preliminary cost analysis, implementation strategy, funding implications, and review of long term financial impact on City operational and maintenance resources for the *“Islington Avenue Streetscape Plan Study – Village of Kleinburg”*, and obtain direction to proceed with a budget for the Design Development, Construction Documentation, Tender Preparation, Contract Administration and Site Supervision for Phase 1A Gateway shown on Attachment #1, and include this request as part of the 2012 budget process.

Background - Analysis and Options

Item 6, Report No. 35 of the Committee of the Whole (Working Session) of June 21, 2011, which was adopted without amendment by Council of the City of Vaughan on June 28, 2011, resolved:

- 1) “That Staff return with a preliminary report in time for the 2012 budget review, identifying phasing, timing and costs of the plan; and
- 2) That the report be done in consultation with relevant City departments, the Region of York and any other government agencies or authorities as required, in order to co-ordinate funding sources”.

At the June 21, 2011 Committee of the Whole (Working Session), City Council was presented with the proposed final draft of the *“Islington Avenue Streetscape Plan Study-Village of Kleinburg”*, where it was received, and Council directed Staff to return with a preliminary report for the 2012 budget review process, identifying appropriate implementation, phasing and costs of this plan. As a result of this Council direction, this report has been prepared through a co-ordinated effort from all City internal Departments in consultation with the Region of York and other external agencies.

The final plan proposes a vibrant streetscape that supports and encourages a high quality of life for the residents and businesses of the Village of Kleinburg, by transforming the street into a pedestrian-oriented place. However, there is a significant shortfall of capital funding available to fully implement the plan as proposed; in addition, the City will incur a substantial increase in long term annual operational and maintenance costs as a result of the proposed streetscape enhancements associated with the plan.

Funding and Implementation Considerations

The total estimated budget in the amount of \$3,951,177 for the Design Development and Construction associated with the *“Islington Avenue Streetscape Plan Study – Village of Kleinburg”* has been included in the Council approved City of Vaughan Development Charges Background Study, August 2008. However, the DC Background Study determined the funding for this Capital streetscape improvement project can only be partially funded through Development Charges, in the amount \$1,142,333 or 29% of the total estimated budget for the project. This will result in \$2,808,844 or 71% of the total budget being funded through other sources.

A working group consisting of staff members from Development Planning/Urban Design, Engineering Services, Development Engineering, Public Works, Reserves and Investments, Parks and Forestry and the Regional Municipality of York have developed a comprehensive Phasing and Funding Strategy, shown on Attachment #2 for the *“Islington Avenue Streetscape Plan Study-Village of Kleinburg”*, which effectively co-ordinates this project with other planned Regional and Municipal Capital infrastructure works, and maximizes the available funding sources.

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Phasing and Funding Strategy

Phase 1

Moving the Design Development and Construction of the three gateways shown on Attachment #1 to Phase 1 of the implementation schedule for this project, will visibly improve the urban environment of the area that can work as a catalyst to encourage the Kleinburg business community to be more involved in funding of the subsequent phases of the project. This phasing strategy also allows for better utilization of the City resources and other agencies contributions, such as York Region's contribution under their "Municipal Streetscape Partnership Program".

The total estimated cost for Phase 1 is \$1,169,122 which includes the Design Development, Construction, Contingency and Administration Fee for the three gateways shown on Attachment #1. Phase 1 of the project will qualify for funding allocation from the Regional Municipality of York for all 3 gateways, under their "Municipal Streetscape Partnership Program". This program provides 33% funding for streetscape projects separate from a Region of York Capital project, or 50% funding for streetscape projects included as a component of a Region of York Capital infrastructure project, subject to an application by the City. Due to the complexity of engineering work required for Phase #1, and the required co-ordination of construction with Regional Capital improvement works timelines, staff has proposed the Design Development and Construction for the gateways should be undertaken in the following order:

Phase 1A: Gateway at the intersection of Highway No. 27 and Nashville Road has a total construction cost of \$502,848 which qualifies for the Region's 33% cost-share partnership funding, subject to an application by the City. Currently the Vaughan Engineering Commission is planning to upgrade the existing pumping station in the south-east quadrant of the intersection. City staff proposes that a budget for Design Development of this gateway be advanced as part of the 2012 budget process, and the Construction be referred as part of the 2013 budget process. This proposed time schedule will provide an opportunity to co-ordinate the two project's Design Development and Construction works.

Phase 1B: Gateway at the Intersection of Major Mackenzie Drive and Islington Avenue has a total construction cost of \$439,992. Currently, the Region of York is commencing detailed design to convert Major Mackenzie Drive to a major transit corridor, and the reconstruction of the Islington Avenue and Major Mackenzie Drive intersection is included in the scope of work which is scheduled to start in 2014. A portion of this gateway is within the Major Mackenzie Drive right-of-way and qualifies for the Region's 50% cost-share funding under their "Municipal Streetscape Partnership Program" subject to an application by the City. Staff proposes that the budget for the Design Development of this gateway be referred as part of the 2013 budget process, and the Construction be referred as part of the 2014 budget process. This proposed time schedule will provide an opportunity to co-ordinate the construction work of this gateway with the Region of York Major Mackenzie Drive Capital project.

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Phase 1C: Gateway at the intersection of Highway No. 27 and Islington Avenue has a total construction cost of \$226,282 which qualifies for the Region's 33% cost-share funding under their "Municipal Streetscape Partnership Program" subject to an application by the City. Staff proposes that the budget for the Design Development of this gateway be referred as part of the 2013 budget process, and the Construction be referred as part of the 2014 budget process.

Phase 2

The streetscape works proposed along Islington Avenue from the Major Mackenzie gateway, to south of the Kleinburg Public School as shown on Attachment #1, has a total estimated cost for Phase 2 of \$1,003,810. The City's Development Charges Background Study, dated August 2008, provides for a \$130,501 budget for the construction of a traffic roundabout on Islington Avenue at Bindertwine and Sevilla Boulevard. This traffic roundabout has been eliminated by the "Islington Avenue Streetscape Plan Study", and therefore, staff proposes that the budget allocated to the traffic roundabout be used to fund the associated streetscape works at the Bindertwine and Sevilla Boulevard intersection.

The Regional Municipality of York's Master Plan has allocated cost-share funding for construction of bike lanes and multi-use trails identified under the "Pedestrian and Cycling Municipal Partnership Program". Through this program, a capital budget of \$40,250 has been secured for 2011 that covers the construction of bicycle lanes with road widening of Islington Avenue from Major Mackenzie Drive to the Kleinburg Public School or thereabouts. This funding also can be transferred to the capital budget for this phase of the project, to fund the bike lane and multi-use trail proposed in the "*Islington Avenue Streetscape Plan Study – Village of Kleinburg*". Staff proposes that the budget for Design Development of Phase 2 be referred as part of the 2014 budget process, and the Construction be referred as part of the 2015 budget process.

Phase 3

The streetscape works proposed along Islington Avenue from the Highway No. 27 gateway to the south limit of Lester B. Pearson Street as shown on Attachment #1 has a total estimated cost for Phase 3 of \$434,020. The City's Development Charges Background Study, dated August 2008, provides for a \$86,520 budget for Islington Avenue urbanization from John Street to Treelawn Boulevard. This funding can be transferred to this phase of the project, to fund the streetscape works along Islington Avenue, from John Street to Treelawn Boulevard. Staff proposes that the budget for Design Development of Phase 3 be referred as part of the 2015 budget process, and the Construction be referred as part of the 2016 budget process.

Phase 4

The streetscape works proposed along Islington Avenue from the south driveway of the Kleinburg Public School to Lester B. Pearson Street, and Nashville Road from Islington to the Doctor's House driveway as shown on Attachment #1 has a total estimated cost for Phase 4 of \$1,055,038. Staff proposes that the budget for Design Development of Phase 4 be referred as part of the 2016 budget process, and the Construction be referred as part of the 2017 budget process.

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Phase 5

The streetscape works proposed along Nashville Road, from the Doctor's House Driveway to Highway 27 as shown on Attachment #1 has a total estimated cost for Phase 5 of \$289,187. Staff proposes that the budget for Design Development of Phase 5 be referred as part of the 2017 budget process, and Construction be referred as part of the 2018 budget process.

Additional Funding and Implementation Strategies

The proposed "*Islington Avenue Streetscape Plan Study-Village of Kleinburg*" Implementation Plan and Schedule shown on Attachment #2 currently cannot be fully funded by City of Vaughan resources, as a result, City staff will continue to explore and investigate the following funding avenues in addition to Development Charges, which may be available to the City in order to fully implement the Streetscape Plan and minimize the impact on the City's tax resources:

- All new subdivision or site plan development proposals located along the study area will be required to construct the streetscape improvements identified in the Master Plan as a condition of development approval;
- Continue to apply to the Regional Municipality of York for construction funding allocation of bike lanes and multi-use trails identified in the Streetscape Plan, under their "Pedestrian and Cycling Municipal Partnership Program";
- Prepare a Long term funding strategy for capital streetscape funding between the City of Vaughan and Kleinburg Business Improvement Area (KBIA), for the Kleinburg business core, which has been recommended in the approved "Kleinburg Economic Development Strategy"; and,
- Continue to apply and utilize the Gas Tax Reserve for the funding of streetscape active transportation improvements and new infrastructure identified in the Streetscape Plan.

The estimated total budget of \$3,951,177 for the implementation of the "*Islington Avenue Streetscape Plan Study – Village of Kleinburg*" is based on preliminary cost estimates. The final cost for each phase of the project will be determined at the Design Development stage, which will be managed by our Engineering Services Department with input from other City Departments. Staff has proposed for consideration the Islington Avenue Streetscape Implementation Plan and Schedule shown on Attachment #2, which proposes a work schedule commencing with the Design Development of Phase 1A in 2012. However, there are a number of variables that will affect the implementation of the plan. Many of these variables are independent and mutually supportive including:

- Streetscape recommendations concerning capital design, construction and maintenance between the City and KBIA, which has been outlined in the approved "Kleinburg Economic Development Strategy";
- The Region of York phasing strategy for infrastructure and road improvements for Major Mackenzie Drive corridor;
- Current and proposed development approvals, processes, and timing requirements; and,
- Long term funding strategies for capital and operational costs between the City, Region of York and KBIA.

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- City of Vaughan being successful in seeking additional funding from the Region of York under their “Municipal Streetscape Partnership Program”.

Relationship to Vaughan Vision 2020/ Strategic Plan

This report is consistent with the priorities set forth in Vaughan Vision 2020/Strategic Plan, through the following initiatives, specifically:

Service Excellence:

- Lead & Promote Environmental Sustainability

Management Excellence:

- Demonstrate Effective Leadership
- Manage Growth and Economic Well-being

Regional Implications

The Region of York has participated in the “*Islington Avenue Streetscape Plan Study – Village of Kleinburg*”. The Study supports key elements of the Region of York Official Plan, adopted by Regional Council on December 16, 2009. Specifically, the implementation of the plan’s following objectives stated in Section 7.2, Moving People and Goods:

“To ensure streets support all modes of transportation including walking, cycling, transit, automobile use, and the efficient movement of goods.”

“To plan and protect future urban and rural streets to accommodate transportation demands.”

In addition, staff from the Region of York has participated in the development of the proposed Funding and Implementation Strategy shown on Attachment #2, for the “*Islington Avenue Streetscape Plan Study – Village of Kleinburg*”.

Conclusion

The “*Islington Avenue Streetscape Plan Study – Village of Kleinburg*” provides a comprehensive streetscape plan study based on the urban design objectives of the “*Kleinburg-Nashville Community Plan OPA 601*”. The Study promotes sustainable development strategies in Kleinburg with the perspective of increasing the quality and safety of the pedestrian areas, expanding dedicated cycling routes, enhancing the character of Kleinburg as a rural village centre, and promoting private investment that will provide a unique identity for Kleinburg, and support tourism and commercial activities in the area.

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In order to better implement the Design Development and Construction works for the “*Islington Avenue Streetscape Plan Study*”, City staff in the Planning, Engineering and Public Works, Community Services, and Finance Commissions have proposed a Capital Design, Construction and Annual City Operational Costing Summary shown on Attachment #2, that provides a clear understanding of the financial impact that this project will have on City resources. The schedule initiates the implementation of the project by smaller, achievable and more cost effective and realistic phases, which will esthetically improve the urban environment of the area and allow Staff to seek additional funding through other sources. The suggested initial phases will work as a catalyst to encourage the community to be more involved in funding of the subsequent phases of the project.

Attachments

1. Project Phasing Map
2. Project Capital Design, Construction and Annual City Operational Costing Schedule

Report prepared by:

Rob Bayley, Manager of Urban Design, ext. 8254
Marjie Fraser, Director of Parks and Forestry
Brian Anthony, Director of Public Works

/CM

(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. 18, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on November 29, 2011.

4 ADMINISTRATIVE REVIEW OF THE VAUGHAN BUSINESS ENTERPRISE CENTRE (VBEC)

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Director of Economic Development, dated November 21, 2011:

Recommendation

The Director of Economic Development in consultation with the City Manager and Commissioner of Finance recommends;

That the report be received.

Economic Impact

There is no economic impact associated with the receipt of this report.

Communications Plan

Not Applicable.

Purpose

To present to the Finance and Administration Committee, a summary of an internal finance and administrative review of the Vaughan Business Enterprise Centre (VBEC).

Background - Analysis and Options

The Vaughan Business Enterprise Centre (VBEC) located in the historic Beaverbrook House was established in 2001 through a partnership between the City of Vaughan and the Ontario Ministry of Economic Development and Trade. The agreement is formalized through a signed letter of agreement with the Province. Since its inception, VBEC has operated under the Economic Development Department.

Opportunity for Review – Accountability and Transparency

The city's Finance Department initiated an internal financial review of VBEC's accounting and record keeping with the objective of reducing costs and improving the flow of information for greater accountability and transparency. At that point in time VBEC had, since its inception in 2001, been established as a 'stand alone' organization and maintained its accounting and record keeping, external to the City.

Opportunity for Improvement – Financial and Administrative

Financial

Beginning in May 2008, staff in the Finance department began to analyze and assess all of the Centre's financial documents and processes to align the Centre with the Corporation's existing financial protocols and policies. Through that work, Finance found several opportunities for better financial control and compliance which resulted in the following positive actions;

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- The City's Finance Department has assumed the accounting function for VBEC. Including all bank reconciliations.
- The Finance Department has established VBEC's accounts within the City's financial reporting system. This allows for easier and more consistent financial reporting and still aligns with the Letter of Agreement with the Ministry of Economic Development and Trade.
- The Centre's bank account with the Royal Bank was closed and transferred to the City's financial institution, TD Canada Trust. This action also ensures that all cheque requests are completed and signed by the signing authority designated for the City.
- The Centre's financial records are now maintained internally and external costs avoided.
- An electronic receipting system was created and all receipt deposits are made with the City's central cashier at City Hall.
- The Finance Department also now reconciles all cash received, receipts issued and deposits made.
- VBEC is required to report to the Government of Ontario for financial reporting years ending annually on March 31, the City, in order to meet its financial reporting requirements, has effective December 31, 2009 included all financial data from VBEC for each twelve month reporting period ending December 31.

Administrative

As the Finance Department was nearing completion of the financial review of the Centre in 2009, the recently hired Director of Economic Development began to assess the role of the Centre's administrative functions and the Centre's programming as it pertained to the City's economic development efforts. Furthermore, during the administrative review the Director requested that the City Auditor review the operations as an independent, objective assurance. The internal auditing assistance provided a value added element to the administrative review by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the Centre. During the administrative review process, it was revealed that three core administrative functions of the Centre needed improvement. Those areas were;

- Staffing. The Centre had a high rate of employee turnover – more than 15 individuals, including three different managers, had worked at the Centre in less than eight years. The turnover was attributed to a general lack of processes and systems which caused employee dissatisfaction and low morale.
- ITM Systems. Although the Small Business Centre was located in the Beaverbrook House at the City Hall campus, ITM functions were not integrated with the City. The Centre maintained its own email accounts, website and telephone systems through third party providers.
- Record Management. The Centre maintained relatively few electronic and traditional files. No single system for maintaining files was in use.

Staffing

When the hiring process to fill the vacant manager role at the Centre was undertaken in March 2010, it was imperative that the position be filled with an individual who had a solid understanding of administrative processes. The successful candidate, Lorena Marcucci, had been with the City for more than five years working in the previous City Manager's office and had an extensive professional background with various provincial ministries. In those previous positions she oversaw an administrative team that successfully implemented IT and record management processes which the province still uses.

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ITM Systems

In February 2010 the Director of Economic Development apprised the Chief Information Officer and Director of Information Technology and Telecommunications of the connectivity issues at the Centre and requested that Centre be integrated with the City. As previously mentioned, the Centre was not connected to the City's email, internet or telephone systems. With no connectivity, employees at the Centre were not able to connect to the City's intranet - VOL/VIBE where employees received updates on various initiatives. In addition, access to key accounting software and shared department 'drives' were non accessible. With no access to shared drives, the Centre did not have an adequate electronic system back-up.

After further consultation with the CIO and Director of Information Technology and Telecommunications, the ITM group devised a comprehensive plan that would achieve full connectivity by December 2010. The December target date for 100% connectivity was achieved and the Centre uses no third party providers for any ITM related needs.

Record Management

In May 2010 the newly hired Manger of VBEC working with the Director implemented a new electronic and traditional filing and record management system. The record management now being utilized incorporates and tracks all aspects of the Centre's day-to-day business, such as; walk-in foot traffic, business material requests, new business registrations, and telephone calls. The Centre has also incorporated the Synchronist Business Information System which is used by the Economic Development Department for use in consultations and corporate calling. This allows for further analysis of the nature of the small business officer's one-on-one consultations and better integrates the Centre to the Department's overall goals and objectives.

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council. The work completed in the financial and administrative review is directly tied to the strategic goal of Management Excellence and the objectives; Enhance Productivity, Cost Effectiveness & Innovation and Ensure Financial Sustainability.

Regional Implications

Not applicable

Conclusion

With the corrective actions implemented at the Vaughan Business Enterprise Centre, the business unit's financial and administrative procedures are now aligned with the Corporation's existing protocols and policies. The Auditor supported the changes being made to the financial and administrative procedures which has resulted in a significant improvement from previous processes.

Attachments

N/A

Report prepared by:

Tim Simmonds
Director, Economic Development