

SPECIAL COMMITTEE OF THE WHOLE – MARCH 4, 2002

DRAFT 2002 OPERATING BUDGET (BUDGET SUB-COMMITTEE MEETING OF JANUARY 16, 2002)

Recommendation

The Budget Sub-Committee recommends:

- 1) That Clause 1 contained in the following report of the Commissioner of Corporate Services/Treasurer, dated January 16, 2002, be approved;
- 2) That the next steps be approved, as follows:
 - a) That a Public Meeting with respect to the 2002 Operating Budget be held on Monday, February 18, 2002 at 8:00 p.m.;
 - b) That a Special Committee of the Whole meeting be held on Monday, March 4, 2002 at +/- 1:00 p.m. for the purposes of discussing the 2002 Operating Budget;
 - c) That a Special Council meeting be held on Monday, March 4, 2002 at +/- 1:00 p.m. to ratify the 2002 Operating Budget;
 - d) That management report on further reductions; and
 - e) That staff be requested to bring forward a detailed report respecting the Keele Valley closure to a Committee of the Whole (Working Session) meeting in February 2002;
- 3) That \$6,000 be included in the 2002 Operating Budget to address staffing requirements at the Gallanough Resource Centre; and
- 4) That the memorandum from the Commissioner of Corporate Services/Treasurer, dated January 11, 2002, be received.

Report of the Commissioner of Corporate Services/Treasurer

The Commissioner of Corporate Services/Treasurer in consultation with the City Manager recommends:

1. That the following status report be received for information purposes; and
2. That the next steps be confirmed.

Purpose

To update the members of the Budget Sub-Committee on the status of the 2002 Operating Budget and to confirm the next steps.

Background - Analysis and Options

The report is divided into four (4) sections as follows:

1. Historical Recap
2. Operating Budget Issues in 2002

3. Further Adjustments to the 2002 Operating Budget
4. Next Steps

Each of these are discussed in more detail in the following paragraphs.

Historical Recap

The cumulative impact of inflation since 1993 based on the Toronto CPI is 16.8%. The City of Vaughan's property tax rate has increased less than the rate of inflation, only 8.4% over this same period. This is illustrated on Attachment 1. There has also been a steady increase in the overall efficiency of the City. The ratio of budgeted staffing (based on full time equivalents) relative to the City's population has declined steadily since 1995.

These factors and continued management of the City's resources have resulted in Vaughan having the lowest property tax rates in the GTA (excluding the City of Toronto) in 2001 for residential and farm properties.

Operating Budget Issues in 2002

There are two (2) important factors influencing the tax rate in the 2002 Operating Budget.

- Servicing Growth
- Inflation

Vaughan continues to be one of the fastest growing cities in Canada. Since 1995 there has been a 56% increase in population, an average of approximately 9% per year. This pace of growth puts a tremendous strain on all municipal services. There is significant pressure on services such as:

- Parks;
- Roads maintenance and winterization;
- Recreational facilities
- Waste management; and
- Fire services.

Not only is there an increase in the cost of providing additional services, the services themselves are costing more as inflation increases costs. The annual increase in the assessment base contributes to funding these increased costs, but it is not always sufficient. The tax rate applied to the assessment base must be indexed or increased to reflect the increased cost of providing services.

The cost to repair and maintain the growing value of the City's infrastructure is increasing. New infrastructure is added and the existing infrastructure is aging.

Further Adjustments to the 2002 Operating Budget

Since the last Budget Sub-Committee meeting, staff have been reviewing the budget, refining estimates and following up on issues identified as outstanding. A significant amount of progress has been made in reducing the requirement to increase the property tax rate in 2002. The assessment increase has been increased to 6.92% for 2002; investment income for 2002 now includes an estimate of \$4M from Hydro Vaughan Distribution Inc. There is an increase in property tax revenue from an increased assessment of hydro corridors and a reduction of corporate and contingency expenses.

There is also an operating budget surplus from 2001 of \$2.5M anticipated and \$2M from the Mill Rate Stabilization Reserve. There will be sufficient funds in this reserve to fund the budget for one (1) more year. After that point in time alternative permanent funding must be put in place.

With these adjustments a tax increase of approximately 9% would be required. A 1% increase in the property tax rate equates to an increase of \$6.57 for a home assessed at \$250,000. Assuming an average 3% property tax rate increase, the budget must be reduced by an additional \$3.5M. Senior Management is in the process of reviewing and preparing recommendations to further reduce the need to raise taxes.

The City's 2002 Capital Budget also impacts the operating budget. There are limited funds available in the 2002 Operating Budget to fund capital projects (\$5.9M). Management has been reviewing the capital budget submissions with the objective of recommending a capital program that fits within the available funding. Recommendations will be brought forward to the next meeting of the Budget Sub-Committee.

Next Steps

The following next steps are recommended in order to finalize the 2002 Operating Budget. The main steps are as follows:

1. Finalize list of capital projects funded from taxation;
2. Management to report on further reductions;
3. Discuss strategy to address the revenue impact of the closure of Keele Valley;
4. Establish dates for the next Budget Sub-Committee meeting; and
5. Forward to the Committee of the Whole for consideration and submission to a Public Meeting; and
6. Ratification by Council.

The Sub-Committee's input into the next steps is respectfully requested.

Attachments (Not Attached – a copy is available in the office of the City Clerk)

1. Inflation vs. Tax Rate Increases Chart
2. Memorandum from the Commissioner of Corporate Services/Treasurer dated January 11, 2002

Respectfully submitted,

Councillor Bernie Di Vona, Chair