

2005 DRAFT OPERATING BUDGET**Recommendation**

The City Manager, the Commissioner of Finance & Corporate Services, the Senior Management Team and the Director of Budgeting and Financial Planning, recommends:

That the following report representing the latest draft of the 2005 Operating Budget be received for information purposes.

Purpose

To provide the Budget Committee with an update on the status of the 2005 Operating Budget.

Background - Analysis and Options**Background**

Over the past few weeks staff have provided a variety of reports to assist the Budget Committee in their deliberations. In addition, there has been updates to the 2005 Draft Operating Budget originally submitted as part of the November 2, 2004 Budget Committee agenda. It is appropriate for staff to provide the Budget Committee with the latest Draft 2005 Operating Budget, attached to this report, which incorporates all of the adjustments over the last few weeks.

Senior Management Review of New Complement and Other Requests

The November 2, 2004 Draft Operating Budget, previously submitted to the Budget Committee, did not include in the base budget the impact of the new complement and other requests except for new complement associated with the new/expanded facilities/parks and Station 7-9 Fire Station. Senior Management has now reviewed all of the new complement and other requests and the resulting recommendations are now included in the Draft 2005 Operating Budget attached to this report as Attachment 1. Commissioners support the recommendations or deletions of requests, including new complement requests, related to their respective areas of responsibility. A summary of the results of Senior Management review is provided below for the Budget Committee's information.

	Nov.2/04 Draft Original Requests	Nov.23/04 Draft SMT Recommended	Change
New Complement Requests	\$1.8m	\$0.2m	\$(1.6m)
Strategic/New Initiatives Requests	\$2.6m	\$0.02m	\$(2.6m)
Other Requests	<u>\$1.2m</u>	<u>\$0.9m</u>	<u>\$(0.3m)</u>
Total Requests	\$5.6m	\$1.1m	\$(4.5m)

As mentioned above, the new complement and other requests of \$1.1 are now included in the attached 2005 Draft Operating Budget before the Budget Committee. In addition, all of the schedules and justifications for these requests are included in Attachment 2, 3, and 4 of this report. Of the \$1.1m recommended by Senior Management, \$0.8m is attributable to road repair work necessary to reduce the escalating deterioration of roads and to extend the life of those roads before full replacement is necessary.

2005 Draft Operating Budget Major New Impact Increase & Summary Update

As a result of the adjustments to the draft operating budget noted above, the list of major new impact increases has changed. To assist the Budget Committee in their deliberations, the revised list of major new impact increases are summarized below for the Budget Committee's information.

Fixed Contract Obligations – Waste, winter, etc.	\$1.8m
Vellore CC and expanded CC's	\$1.8m
Fire Station 7-9 Increased New Complement	\$1.0m
Long Term Debt Repayment	\$1.7m
Collective Agreements/By-Laws/Full Year Impact/Progression/etc.	\$3.9m
Library Board Approved Budget Increase	\$1.2m
Bldg & Fac/Parks/Roads Repairs & Maintenance	\$2.8m
Insurance Increase/Great West Life Benefit Increase	\$1.0m
Hydro Joint Services Provision	\$0.4m
Bill 124-Bldg Permit Budget Impact	\$0.2m
Other various major new impacts	<u>\$0.4m</u>
Sub-total major new impacts	\$16.2m
Less estimated assessment growth of 4.57%	<u>(\$3.5m)</u>
Draft Budget Increase	\$12.7m
Draft 2005 Operating Budget Tax Rate Increase	18.0% or \$126/avg Household

All of these major new impact increases are permanent in nature and require permanent funding sources. The magnitude of the base budget increases and the reasons for their occurrence make clear that assessment growth is insufficient to cover these increases.

2005 Draft Operating Budget Expenditure Overview

An update of the 2005 Draft Operating Budget expenditures by major expense line is also provided for the Budget Committee's information..

Salaries & Benefits	\$ 86.2m	54.7%
Contracted Services	\$ 20.4m	13.0%
Reserves Contributions	\$ 8.1m	5.1%
Long Term Debt	\$ 4.4m	2.8%
Mtce/Utilities/Mtls	\$ 13.9m	8.9%
Capital Projects funded from taxation	\$ 6.5m	4.1%
Insurance	<u>\$ 2.1m</u>	<u>1.3%</u>
Sub-Total	<u>\$141.6m</u>	<u>89.9%</u>
Tax Adjustments	\$ 1.3m	0.8%
Vaughan Hockey Assoc Subsidy	\$ 1.0m	0.6%
Professional Fees	\$ 1.9m	1.2%
Computer Hardware/Software	\$ 1.1m	0.7%
Office Supplies and equipment	\$ 0.6m	0.4%
Other	<u>\$ 10.0m</u>	<u>6.4%</u>
Sub-Total	<u>\$ 15.9m</u>	<u>10.1%</u>

Total Draft 2005 Expenditures \$157.5m 100.0%

In addition, provided below is an updated summary of the specific expense items, excluding the Library, identified by the Budget Committee in the past for scrutiny.

	2005 Draft Budget	2004 Budget	Variance
Advertising	\$362,800	\$388,745	\$(25,945)
Computer hdw/soft	995,745	940,380	55,365
Cellular	172,784	227,694	(54,910)
Office Equipment	202,750	207,490	(4,740)
Office Supplies	247,141	253,126	(5,985)
Overtime	994,560	725,510	269,050
Part time	8,309,983	7,769,698	540,285
Professional fees	<u>1,695,050</u>	<u>1,929,420</u>	<u>(234,370)</u>
Total Exclgd. Library	\$12,980,813	\$12,442,063	\$538,750

There are updates to various expense lines from the November 2, 2004 Budget Committee agenda. These increases are primarily based on the requirements related to the inclusion of the new facilities of new/expanded facilities/parks and Fire Station 7-9.

Updated Recreation Recovery Ratio Analysis

The Recreation department has revisited revenues originally submitted to the Budget Committee as part of the November 2, 2004 agenda. The updated recovery analysis is provided below for the Budget Committee's information. The 2004 Budget has also been recalculated based on further refinement, as provided by Recreation, to the administration cost allocation to the various areas. The review of recreation recovery ratios is an on-going process and will be assimilated into the Recreation department's normal procedures upon hiring of the business analyst.

Updated Recreation Direct Revenue/Cost Recovery Analysis (% Direct Recovery)

	2005 Draft Budget (*)	2004 Budget (*)	Variance
Aquatics	72.2%	71.9%	0.3%
Fitness Centres	92.9%	85.1%	7.8%
General Programs	67.4%	69.7%	(2.3)%
Camps	80.8%	85.2%	(4.4)%
Permitting	197.1%	183.3%	13.8%
City Playhouse	86.7%	83.4%	3.3%
Other	<u>87.9%</u>	<u>79.2%</u>	<u>8.7%</u>
Total Recreation	89.6%	88.6%	1.0%

(*) Administration costs are allocated based on estimates provided by Recreation

Next Steps in the Budget Process

- Report on Building Permit and Planning Fees
- Review other Fees
- Review Vehicle Reserve Contribution
- Review Investment Income
- Review Current Vacancies
- Further Budget Committee Deliberations
- Public Consultation

Relationship to Vaughan Vision 2007

The objective of the operating budget report is to allocate the necessary resources and obtain Council approval.

Conclusion

The purpose of this meeting of the Budget Committee is to provide Members of the Budget Committee with an updated overview and analysis of the 2005 operating budget.

Attachments – (Members of Council Only) Available in the Clerks Dept.

Attachment 1 – 2005 Draft Operating Budget, Revenue and Expenditure Summary
Attachment 2 – 2005 Draft Operating Budget, New/Expanded Facilities/Parks/Fire Stn.7-9
Attachment 3 – 2005 Draft Operating Budget, SMT Recommended New Complement Requests
Attachment 4 – 2005 Draft Operating Budget, Strategic Planning Initiative Requests

(Attachments available in the Clerk's Department)

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Respectfully submitted,

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