BUDGET COMMITTEE FEBRUARY 12, 2008

LONG-RANGE FINANCIAL PLANNING – INFRASTRUCTURE FUNDING STRATEGY

Recommendation

The Deputy City Manager/Commissioner of Finance & Corporate Services, the Director of Budgeting & Financial Planning and the Director of Reserves & Investments in consultation with the City Manager and the Senior Management Team recommends:

1. That the following report and presentation on the proposed Infrastructure Funding Strategy be received; and

2. That Council provide direction with respect to an infrastructure repair and replacement funding strategy (option) and incorporate that direction into the 2008 budget.

Economic Impact

The financial impact associated with adopting an infrastructure funding strategy will depend on which strategy Council adopts. There are four (4) options provided in the report.

Communications Plan

NA

Purpose

The purpose of this report is to provide the Budget Committee with information on Vaughan's infrastructure funding gap, funding options and receive direction on the strategies illustrated.

Background

City of Vaughan LRFP History

The need for fiscally prudent long-range financial policies and funding for infrastructure repair and replacement was recognized by Finance in 1994. In 1996, Finance brought forward and obtained Council approval for recommendations to begin partially funding future infrastructure repair and replacement costs in conjunction with the implementation of fiscally prudent long-range financial policies. Although this put the municipality in a stronger financial position and ahead of most municipalities as it relates to reserve balances, recent findings indicate additional critical funding is required to address current and future infrastructure repair and replacement spending requirements.

Since that initial study the City adopted a new strategic vision with specific commitments to revitalize infrastructure and ensure long-term financial stability. In recognition of the City's desire to continue to manage municipal assets in a fiscally prudent manner, Finance staff again acknowledged the challenge and initiated another Long-Range Financial Planning study, which complimented and built upon the financial planning work previously conducted.

On March 20th 2006 & February 20th, 2007, staff presented Council with reports on Long-Range Financial Planning. The purpose of these reports was to provide Council with an overview of the current Long-Range Financial Planning process and outcomes. The prevailing theme throughout

the Long-Range Financial Planning process was that infrastructure repair and replacement is significantly under funded and an infrastructure funding strategy is desperately needed to begin addressing the backlog of unfunded projects and future infrastructure requirements.

Current Municipal Environment

The challenge of funding the significant costs of infrastructure repair and replacement is a paramount concern for most municipalities across Canada. This is largely caused from new facility construction having been primarily funded through development charges, leaving the municipality to fund future infrastructure repair and replacement of those rapidly aging assets at a later date from the municipality's tax base. Infrastructure renewal has become a very common topic in the media today and illustrated below are a few key events in the municipal world, which further validate the seriousness and magnitude of the topic.

- In November of 2007, the Federation of Canadian Municipalities released a report indicating the national municipal infrastructure deficit rose from a $60 billion reported in 2003 to a $123 billion.

- The Infrastructure and Investment Coalition very recently released a study on Ontario's Bridges estimating at least $2 billion will be required over the next 5 years

- The Public Sector Accounting Board (PSAB) introduced a new accounting guideline regarding local government tangible asset reporting. This guideline requires municipalities to report capital assets in their financial statements by 2009.

- In a recent NRU survey, GTA mayors sited infrastructure repair as one of their biggest budget pressures for 2008

    - Mississauga estimates a $1.5 billion infrastructure funding deficit over the next 20 years and is proposing a 5 % infrastructure levy

    - Brampton estimates a $273 million infrastructure funding deficit over the next 10 years and is considering a 2% annual infrastructure tax levy

    - Waterloo estimates a $160 million infrastructure funding deficit over the next 10 years

- In desperate need of additional funding, Municipalities are campaigning for financial assistance from both levels of government. For example:

    - David Miller's "One Cent Now" campaign – requesting 1% of the GST

    - The City of Waterloo's request to exempt Municipalities from paying Provincial sales tax to fund infrastructure

    - Hazel McCallion's "Cities Now' campaign – requesting surplus funds

The Infrastructure Funding Challenge

The above illustration is not unlike the situation in Vaughan, where over the past two decades the City of Vaughan has grown at an unparalleled pace, adding new facilities, parks, and transportation networks on an annual basis. Vaughan is now entering an era where these assets require significant investment to ensure they are maintained in an acceptable state of repair. This is evident by the recent increase in capital funding requests and corresponding unfunded infrastructure repair and replacement backlog. As Vaughan ages and continues to transition from a rapidly growing township to a thriving mature City, infrastructure repair and replacement requirements will begin to accumulate at a pace similar to which they were constructed. Without further infrastructure investment, Vaughan's infrastructure network will deteriorate potentially compromising community health, safety, and service levels. The condition and state of municipal infrastructure is an important factor in assessing a community's overall quality of life and economic health. Consequently, it is critical to understand that there is a great need and benefit for further infrastructure investment in order to protect, sustain, and maximize the use of Vaughan's infrastructure assets.

Recognizing the importance of this issue, staff developed options with respect to an infrastructure funding strategy, which works towards addressing infrastructure repair and replacement spending requirements, while ensuring long-term financial stability. The infrastructure funding strategies are multiple part plans and will be detailed in a later section of this report.

Long-Range Financial Planning Process

The core foundation of the infrastructure funding strategy is the Long-Range Financial Planning model. The Long-Range-Financial Planning model is a mechanism which articulates Vaughan's long-term (25 year) financial requirements, including infrastructure repair and replacement trends. The model brings together information from multiple sources with appropriate forecasting drivers and assumptions (e.g. inflation, interest, population, lifecycles, etc), which when applied in combination to specific model elements provides realistic projections. Although the model incorporates both operating and capital requirements the focus of this report will be solely on infrastructure funding requirements.

The infrastructure repair and replacement forecast incorporates most major capital asset categories e.g. roads, streetlights, building components, vehicles, parks infrastructure, fire equipment, computer infrastructure, etc. In addition, the model forecasts the tax-supported portion of the capital program, Capital from taxation programs and debt repayment. The focus of the forecast was to identify the gap between the City's infrastructure requirements and available funding sources.

Infrastructure repair and replacement is the largest component of the model and is primarily based on life cycle forecasting, which schedules asset replacement based on the asset's estimated useful life, termed life cycle, and computes the timing and amounts necessary to fund infrastructure repair and replacement requirements. Life cycle forecasting was a significant and major accomplishment and is an on-going annual requirement to update the model. All asset life cycles were provided by departments based on the best information available and their professional experience. This process required extensive input and collaboration with departments on a citywide basis and involved working jointly with key City department staff to:

- Gather infrastructure inventories
- Determine the timing of new infrastructure
- Define infrastructure components, installation dates and estimate life cycles to better predict replacement requirements
- Calculate future replacement timing and values

One exception to the above lifecycle forecasting process is roads repair and replacement, which is based on the Council approved pavement management program, not life cycle costing. These road repair and replacement requirements are included in the Long-Range Financial Planning model and funded from long-term debt, as is the current practice.

Departmental review sessions were conducted to communicate cumulative outcomes and ensure departmental "buy-in" on the forecast, assumptions and drivers. This process resulted in a sensible long-range forecast based on logical and supportable assumptions.

As mentioned above, the Long-Range Financial Planning model captures the majority of Vaughan's infrastructure. However, the model does not include or forecast Water and Wastewater and development charge reserves, as they are funded entirely from utility rates or developer contributions, which do not impact Vaughan's budget or tax rate. In addition, there are a few minor asset category items outstanding due to unavailable information (e.g. walkways, entrance features, etc). Nevertheless, the model captures the majority of Vaughan's assets and is very relevant and useful in forecasting key trends and potential outcomes.

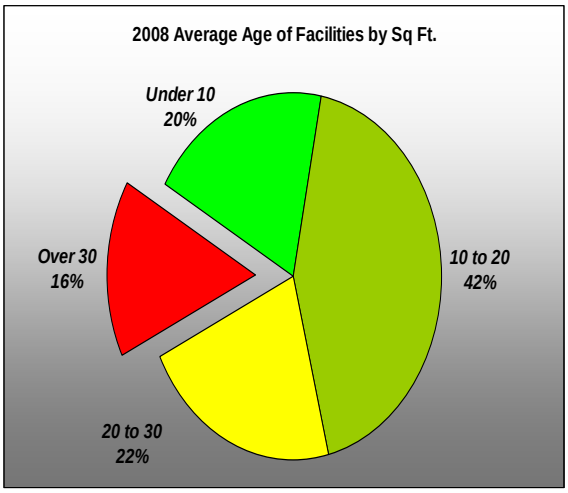
It is also necessary to stress that Long-Range Financial Planning is not an exact science and that projections, extending over any period of time, will likely change. It should be noted, the model was never intended to predict exact tax rate increases, but rather to illustrate financial trends, orders of magnitude, and potential impacts to stimulate insightful and constructive discussion.

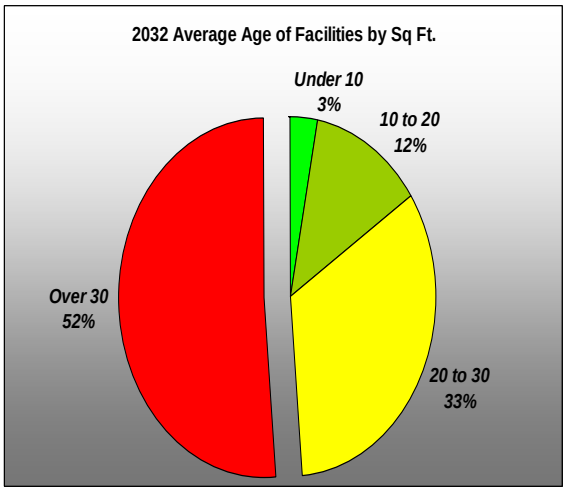
Infrastructure Outcomes and Trends

A primary objective of the Long-Range Financial Planning study was to quantify future infrastructure spending requirements and summarize key financial trends in order to identify long-term implications and their aggregate affects. An analysis of Vaughan's infrastructure and funding position was conducted and key findings presented to Council in February 2007. Since then an update has occurred, but the overall picture remains relatively unchanged. Key findings are summarized below:

1. Infrastructure is rapidly aging

This is a relatively new challenge for Vaughan, as most infrastructure items were recently constructed over the last two decades. There is a relationship between asset age and rehabilitation costs. As Vaughan's new infrastructure ages, significant repair and replacement funding will be required to sustain its condition and functionality. The Facility Age graphs below, clearly illustrate infrastructure is rapidly aging and demonstrates that a significant portion (52%) of facilities will migrate to the 30+ age category over the next 25 years.

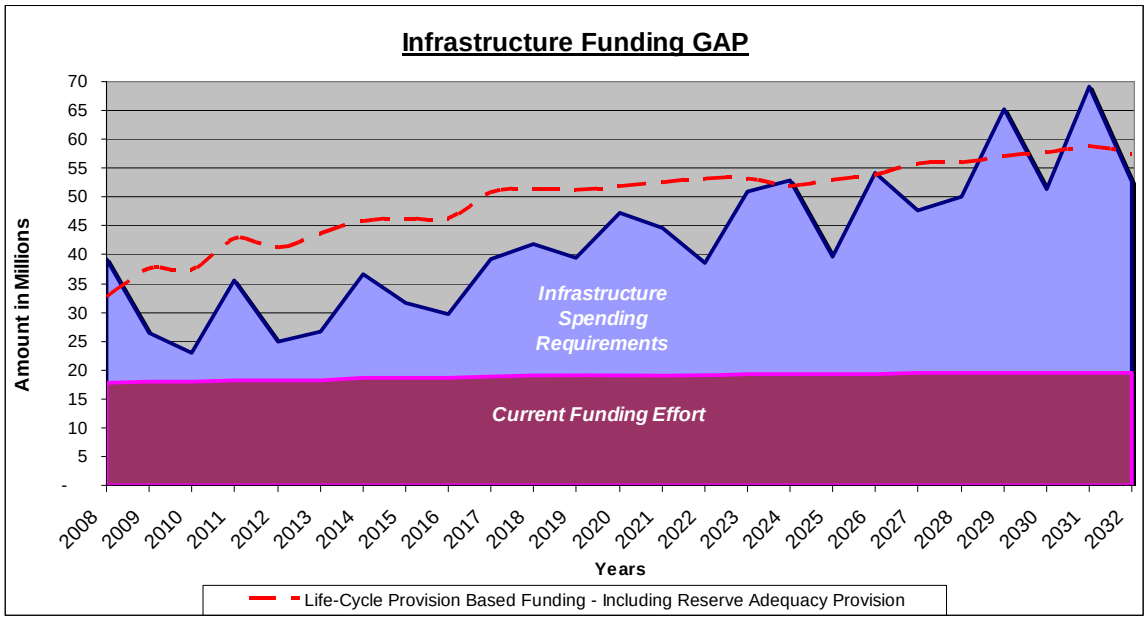




In addition, Finance conducted an analysis, based on department provided information, to assess the value of items exceeding projected lifecycles. The result of the study was alarming, indicating approximately $17.6 million has met or is exceeding anticipated usefulness. This does not imply items are broken but rather indicates a high probability of service failure and an immediate need for preventative measures to guarantee uninterrupted service. Without an appropriate strategy, these figures are expected to rise rapidly. This is evidenced by the recent increase in infrastructure capital requests that have occurred over the last few years.

2. Infrastructure spending requirements are significantly under funded

The prevailing theme throughout the Long-Range Financial Planning model is that infrastructure spending is significantly under funded. This is illustrated below in the Infrastructure Funding Gap graph, which compares the current infrastructure funding effort (e.g. reserve contributions based on existing policy, capital from taxation, LTD, etc) to infrastructure spending requirements based primarily on lifecycles and approved studies. Infrastructure reserve withdrawals are not factored into the below graphical representation as these balances are currently used to sustain the 50% discretionary reserve ratio policy, which will be further discussed in a later section of the report. The following conclusions can be drawn from the infrastructure funding gap graph illustrated below.



- Infrastructure spending requirements are initially more than double the available infrastructure funding effort, which includes a 2% contribution for new facilities as per policy. A significant portion of this balance represents the accumulated infrastructure backlog (Items beyond Life Cycle), based on departments estimated replacement timing, as a result of unavailable funding in prior years.

- Future infrastructure spending requirements steadily climb over the next 25 years. As mentioned above, Vaughan is a high growth community and overtime the aging of existing and future infrastructure will further increase the infrastructure spending burden.

- Existing infrastructure funding effort levels will not keep pace with the spending requirements and necessitate significant incremental investment in order to reduce the existing accumulated infrastructure backlog and sustain the City's infrastructure network.

- Based on the spending requirements illustrated above, and additional $130m is required over 10 years and $394m over a 20 year period, assuming debt used for roads. This is known as the Infrastructure Gap. Using the average annual amount required the initial tax rate increase to fund the infrastructure gap is 11.8% and 17.9% respectively.

- Based on the Life cycle provision based funding illustrated above an additional $210m is required over 10 years and approximately $510m is required over 20 years. Using the average annual amount required the initial tax rate increase to fund the provisions is 19.9% and 23.19% respectively. These amounts do not include any funding to ensure reserves are completely adequate for future requirements, which would require an additional $85m over the 25 year term of the forecast.

3. Infrastructure reserve funding levels and reserve balances will not sustain requirements

As part of the long-range planning work performed in 1996, the Finance department implemented new infrastructure reserves and a policy requiring additional annual reserve contributions for new buildings in the amount of 2% of the new facility value. As a result of the recently approved North Thornhill Block 10 community centre and in line with the above policy, the Post 98 Building & Facility reserve contribution was increased by $550,000 in the 2008 budget. This amount is already incorporated into the infrastructure funding gap presented. In addition, there are other operating funded infrastructure reserve contributions (i.e. pre 98 facilities, parks, fire, heritage, roads, etc) amounting to approximately $3.4m per year. However, these reserves do not have a contribution escalation trigger and due to operating pressures and competing priorities they have remained relativity unchanged over the years. As illustrated, there is clearly a need to increase the current infrastructure reserve funding effort.

An infrastructure reserve adequacy study was performed which estimates the infrastructure reserve balance requirements based on forecasted life cycle contribution requirements. The outcome indicates that existing infrastructure reserve balances are short $84 million, and the shortfall will continue to increase over time without additional continuous funding. This analysis is very significant as it illustrates the organization's on hand funding availability to meet both short & long-term infrastructure requirements. The outcomes of this analysis are illustrated in the chart below

Notes: Reserve & Investment Dept. projected reserve balances as at Dec. 31, 07

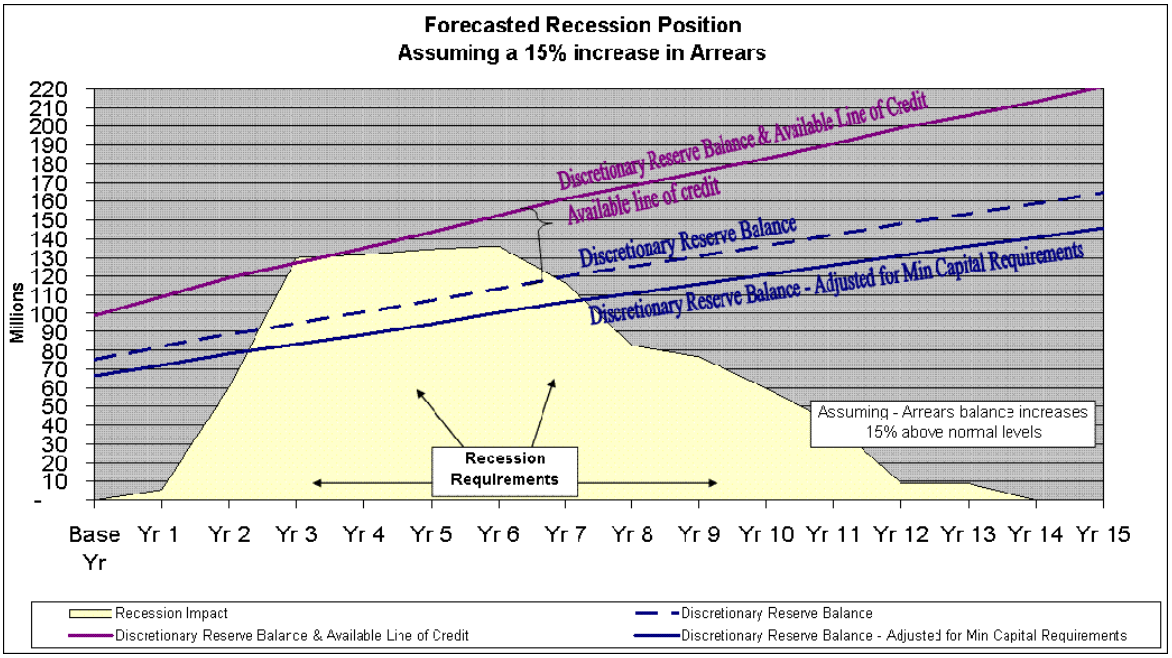
Infrastructure Reserves	***Reserve Balance***	***Reserve Adequacy***	***Surplus (Deficit)***	***Items Past Life Cycle***
Building & Facilities (Post & Pre 98)	11,565,821	59,398,178	(47,832,357)	11,595,068
Vehicle Replacement	6,385,568	8,436,299	(2,050,731)	2,141,745
Parks Infrastructure	2,110,382	22,514,314	(20,403,932)	943,398
Fire Equipment	1,462,085	13,263,302	(11,801,217)	2,583,868
Heritage	96,276	413,370	(317,094)	413,370
Uplands Reserve ***(figures under review)***	205,918	1,638,113	(1,432,195)	-
City Playhouse ***(figures under review)***	19,046	414,744	(395,698)	-
Total	***21,845,096***	***106,078,321***	***(84,233,225)***	***17,677,450***

Of particular interest is that reserve balances cover approximately the value of estimated items past their lifecycle. It is unlikely any improvement in the above measures will transpire without additional investment. To fund the reserve adequacy gap within the 25 year forecasted period an initial 3% tax rate increase or the equivalent would be required.

4. The Need for Discretionary Reserve Balances

Minimum discretionary reserve balances are required to help stabilize and smooth out a multitude of future spending requirements. In 1995, Council adopted a policy of a 50% discretionary reserve balance as a percent of own source revenues. This ratio is a strong indicator of Vaughan's financial stability; ability to finance operations internally and also has an impact on credit ratings that could affect interest rates used for borrowing debentures. Discretionary reserve balances also include the infrastructure reserve balances that are required to address the future costs of infrastructure repair and replacement as reflected in this report. These are part of the reason why the 50% discretionary reserve balance was recognized in 1995, and continues to be recognized as an important financial policy and performance measurement indicator for the municipality.

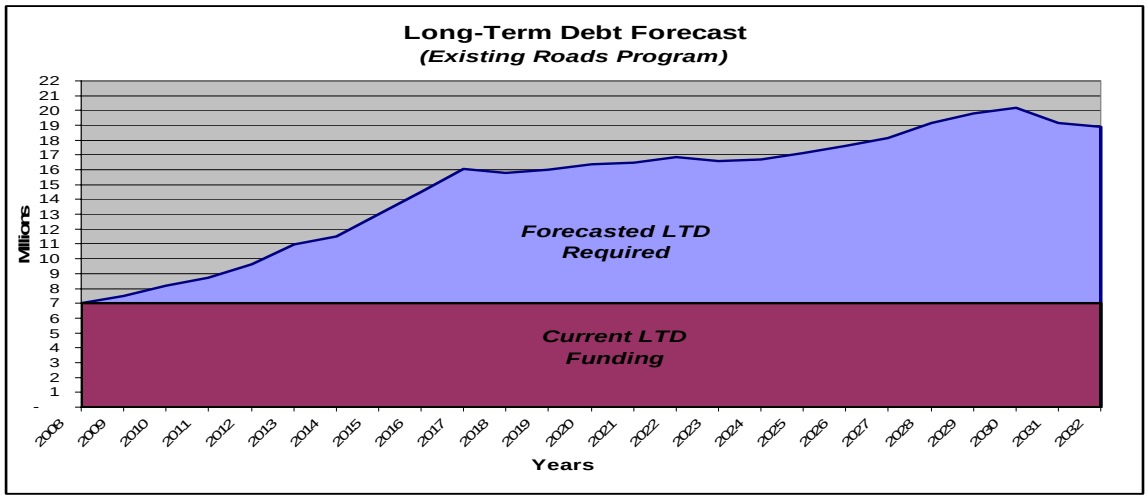
Discretionary reserve balances also serve as a safeguard against economic downturns, which place significant pressure on cash flows. This is very relevant today given the United States worsening economic condition and likely recession. To illustrate the importance of reserves on hand and cash flows within the Long-Range Financial Planning study, a model was developed to demonstrate the affects of a recession using data similar to the recession experienced in the early 1990's. The result was that discretionary reserves and Vaughan's available line of credit would be completely exhausted in order to sustain municipal operations. This further signifies the importance of cash management and the need to maintain a discretionary reserve balance at a minimum of 50% own source revenues. The City has achieved this target. However, in the future the implication of maintaining a minimum 50% discretionary reserve ratio may require restricting infrastructure reserve spending until overall discretionary reserve balances exceed set targets.



5. Long-term debt requirements will increase

The approved roads rehabilitation requirement is approximately $10 million per year. Issuing 10 year debentures at 5% yield for annual and outstanding roads program requirements will result in annual LTD payments progressively increasing from $7 million to $17 million within a 10 year period. Likewise, the corresponding long-term debt payment ratio will also rise, but is projected to keep within the City policy of 10% of own source revenue, unless significant debenture

requirements are added. These figures incorporate a degree of subsidy from the debenture reserve to smooth the tax impact of rising debt. Overall, even with utilizing the debenture reserve to smooth requirements, more than $37m in incremental debt payments will be required within 10 years creating annual tax rate pressures in the neighborhood of ¾ - 1%. This is just another example of the applied pressure Vaughan's aging infrastructure will have on the City's future tax base.



Infrastructure Funding Strategy

Given the significance and magnitude of the trends and outcomes presented above, it is recommended that Vaughan approve a funding strategy to address existing and future infrastructure spending requirements. However, as a result of the shear size of the investment required it is suggested the Infrastructure funding strategy initially focus on addressing immediate infrastructure spending requirements based on infrastructure which is past its life cycle. Given the magnitude of the issue a 4-part plan is recommended as follows:

1) Advocating for greater assistance from other levels of government
2) Rethink infrastructure placement and replacement
3) Controlled infrastructure reserve spending
4) Increasing infrastructure funding

Advocate Assistance from Other Levels of Government

Over the past few years the Provincial and Federal governments have started to recognize the Infrastructure challenges faced by Municipalities. The Federal and Provincial government's willingness to share a portion of the gas tax demonstrates this fact. Although appreciated by Municipalities, gas tax funding is not enough and will only marginally assist in the formulation of a complete infrastructure funding solution.

Infrastructure renewal has become a very common topic in the media. Many municipalities, agitated by the situation and lack of sustainable funding, have over the past year embarked on a number of public and media campaigns to highlight the infrastructure problem and request desperately needed long-term financial assistance from the Federal and Province governments. A few examples of these campaigns are:

- Mississauga's - Cities NOW!
- Toronto's - One cent now (endorsed by many municipalities)
- Waterloo's – exempting municipalities from PST for the purpose of funding infrastructure
- Various requests to utilize GTA pooling for municipal infrastructure

Unfortunately, the cries for funding illustrated above have fallen on relatively deaf ears. This is clearly demonstrated by the following actions:

- The Federal government's willingness to reduce GST instead of endorsing the "One Cent Now Campaign"

- Jim Flaherty's recent statement that Municipal Government shouldn't look to Ottawa to solve their problems and that they have the responsibility to plan adequate reserves to pay for infrastructure *(Toronto Star – Jan. 31st, 2008)*

Unless additional stable long-term funding is secured and/or appropriate financial tools created, the funding gap will continue to grow and burden the nation's municipalities with large tax increases or deteriorating infrastructure. As part of the plan, it is necessary that other levels of government be lobbied to assist with funding for infrastructure repair and replacement.

Rethink Infrastructure Placement and Replacement

Since it is evident that funding infrastructure repair and replacement is a significant challenge, it is necessary to rethink the way in which new infrastructure is recommended and in the way that existing infrastructure is eventually replaced. This will potentially reduce the forecasted financial burden the Municipality is currently facing. Therefore, the City should undertake a review of infrastructure placement and replacement in an effort to provide the same functionality at a more affordable replacement, repair, and maintenance spending level. This may require a need to reexamine the infrastructure service levels and consider alternative infrastructure choices.

Controlled Reserve Spending

As a result of the Long-Range Financial Planning policies established in 1996, the Municipality is in a stronger financial position and discretionary reserve balances have improved considerably and are now slightly exceeding the discretionary reserve ratio policy target. Achieving this target required fiscal management and a dedicated focus on building reserve balances. Currently, approximately 30% of the discretionary reserve balance consists of infrastructure reserves. Now that the established target has been achieved, infrastructure reserves can begin to fund infrastructure spending requirements to the extent the approved discretionary reserve ratio is maintained and cognizant of other existing and future reserve considerations. This amount will be determined on an annual basis and it is recommended that it be dedicated to reducing the existing infrastructure backlog.

Increasing Infrastructure Funding Options

The key part and most financially significant component of the funding strategy lie in increasing the infrastructure funding effort. This poses a complicated challenge as the initial requirements are overwhelming and will be financially difficult to overcome immediately. Recognizing this situation, Finance staff undertook an evaluation of different options to begin addressing the infrastructure funding shortfall. The following options were presented to Council on February 20th, 2007:

1. Fund now through tax increases based on life cycle costing
2. Fund over time through fixed annual increases
3. Fund all incremental infrastructure spending requirements through long-term debt
4. Hybrid – fixed tax increases, LTD, and reduced infrastructure spending requirements

It is important to reiterate that any tax rate increases associated with the above options are *in addition to normal operating budget requirements* and focus solely on infrastructure spending requirements. In addition, the above options *exclude annual debenture funding associated with*

the approved roads program as these requirements are established and the funding policy approved. The impacts associated with the roads program were illustrated previously.

Option 1 - Fund now through tax increases based on life cycle forecasts

This option funds infrastructure requirements going forward based on life cycle costing and identifies adequate funds to be set aside each year for infrastructure replacement. This is achieved through an initial significant tax rate increase followed by the required annual tax rate increases as per the life cycles of assets. The first year tax rate impact of this option is a 12.7% increase with a cumulative 10 year tax rate increase impact of 14.8%. This option meets the spending requirements within 2 years and thereafter begins full reserve contributions, but does not consider any existing reserve adequacy shortfall which would require further financing.

Option 2 – Fund over time through fixed annual increases

This is achieved through a continuous fixed 3% annual tax increase, beginning in 2008. This option meets the spending requirements within 5-6 years and thereafter begins to address and eventually eliminates reserve adequacy issues through reserve contributions. The first year tax rate impact of this option is a 3% increase with a cumulative 10 year tax rate increase impact of 30%. However, infrastructure contributions would not be directly linked to life cycle costing requirements and funding would require frequent review after infrastructure requirements are met to ensure consistency with future infrastructure needs.

Option 3 – Fund all incremental infrastructure spending requirements through LTD

This option addresses incremental funding for infrastructure spending with the issuance of long-term debt. This option addresses infrastructure spending requirements immediately. The first year tax rate impact of this option is a 0% increase as LTD is issued after completion. However, the initial tax increase for 2009 is 2.5% with a cumulative 10 year tax rate increase impact of 11.63%. This excludes roads related debenture requirements. It should be noted that the cost of borrowing can add as much as 20% to 30% to the infrastructure cost over the term and debt payment will increases significantly as the amount of debt issued increases annually. Continually issuing debt simply defers the need to fund infrastructure and adds interest as a further cost in addition to project costs.

Option 4 – Hybrid– fixed tax increases, LTD, and reduced infrastructure spending requirements

This option is very similar to option 2, but blends in long-term debt and infrastructure spending restrictions in order to meet the infrastructure requirements at an accelerated pace. This is achieved through a hybrid combination of a fixed 3% annual tax increase, a one-time $10 million debenture, and a 5% reduction in infrastructure spending requirements. The first year tax rate impact of this option is a 4.2% increase with a cumulative 10 year tax rate increase impact of 31.2%.The above combination results in an immediate reduction of the past lifecycle backlog and meets infrastructure spending requirements within 5 years, a year earlier than option 2 at the expense of a slightly higher initial tax increase and overall higher costs related to long term debt interest paid. Similar to option 2, infrastructure contributions would not be linked to life cycle costing requirements and funding would require frequent review after infrastructure requirements are met to ensure consistency with future infrastructure needs.

Evaluation of Infrastructure Funding Options

Municipalities are faced with considerable funding restraints and constant budgetary pressures, which make selecting the best infrastructure funding option a difficult endeavor requiring the careful balancing of tax rate increases and funding infrastructure requirements.

The first option, Option 1- Fund now through tax increases based on life cycle costing, warranted significant consideration, largely because it meets the funding requirement in a relatively short timeframe and ties the funding requirement directly to asset utilization. In addition, this option solves the issue immediately and avoids future ongoing tax increases. However, the downfall of this option is the initial infrastructure investment, equivalent to an initial tax rate increase in excess of 12%, making this option financially impractical. It also does not provide any time to determine if additional financial assistance from other levels of government is forthcoming.

Option 2 – Fund infrastructure requirements over time through fixed annual increases. As illustrated earlier this is achieved through a fixed 3% annual tax increase, beginning in 2007. This option offers the lowest initial tax rate increase, meets infrastructure spending requirements within 5-6 years, and eventually resumes infrastructure reserve contributions, which will ultimately eliminate the reserve adequacy shortfall. The option is financially flexible and exercises prudence and conservatism through gradual incremental funding. It provides an opportunity to leverage government assistance and rethinking infrastructure opportunities in effort to reduce or accelerate achieving the infrastructure spending requirement.

On the other side of the Continuum, Option 3 – Fund all incremental infrastructure spending requirements through LTD appears very attractive, as requirements are met immediately and with initial tax increases that are relatively comparable to options 2 & 3. Although, these are very favourable results this option has 3 significant drawbacks.

- Firstly, the additional interest costs associated with funding infrastructure spending requirements through long-term debt is significant. For example, the cost of borrowing funds over 10 years at a 5% interest rate is equivalent to 30% of the borrowed value over the loan term. In addition, should interest rates climb the cost of borrowing will rise proportionately. Provided incremental infrastructure requirements will likely exceed $202m over the next 10 years, it would be financially prudent to redirect funds assigned to pay interest to infrastructure requirements.

- Secondly, locking into long-term financing arrangements to fund ongoing incremental infrastructure requirements reduces the City's future financial flexibility. This may have an impact during times where additional funding is required or cash flow is a concern and the ability to access funds are committed to loan payments and restricted by financial covenants.

- On a final note, the option breaches the current approved debt policy limit of 10% of own source revenues. In addition, infrastructure reserve contributions will cease, likely impacting the discretionary reserve ratio.

Option 4 – Hybrid, incorporating debt, fixed annual increases, incorporating a reduction in infrastructure spending and includes the added cost as a result of issuing debt.

Relationship to Vaughan Vision 2020

This study addresses three main goals identified in the Vaughan Vision 2020 under management excellence:

1. Maintain Assets and Infrastructure
2. Ensure Financial Stability
3. Plan & Manage Growth and Economic Vitality

Regional Implications

NA

Conclusion

Over the last decade Vaughan has experienced tremendous growth, and as a result of that growth significant investments in infrastructure occurred funded primarily by development charges. As Vaughan's infrastructure ages, continued investment is required to ensure the City's assets are maintained in a state of good repair. Recently a Long-Range Financial Planning study was conducted and it concluded that significant additional investment is required to maintain the infrastructure network, approximately $394m over 20 years assuming the use of debt for roads.

Finance has led this pro-active initiative and in consultation with the City Manager and the Senior Management Team developed options and strategies to overcome the infrastructure funding challenge Vaughan currently faces. Cognizant of the potential tax rate implications, staff developed and evaluated potential options. All the above funding options presented provide a solution to the infrastructure challenge illustrated.

Unless additional stable long-term funding is secured and/or appropriate financial tools created, the funding gap will continue to grow; infrastructure will deteriorate and inevitably compromise overall community quality of life, economic health, and safety. Incorporating a strategy into the 2008 budget process would be a prudent step towards preserving the overall quality of life in Vaughan by protecting, revitalizing and sustaining Vaughan's existing and future infrastructure.

Attachments

None

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Respectfully submitted,

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