

**2009 OPERATING BUDGET & BUSINESS PLANNING –  
TIMETABLE, GUIDELINES AND OVERVIEW**

**Recommendation**

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

- 1) That the 2009 Operating Budget Guidelines, summarized in this report be approved;
- 2) That Attachment #1 – 2009 Operating Budget Timetable, be approved; and
- 3) That the revised Additional Resource Request template be approved substantially in the form attached (Attachment #2) and included as part of the 2009 Operating Budget Guidelines instruction package issued to departments.

**Economic Impact**

The economic impact of the 2009 Operating Budget will be fully determined upon receipt of the departmental operating budgets in September 2008.

**Communications Plan**

In addition to scheduled departmental working sessions, departments will receive a budget instruction package shortly after the 2009 operating budget guidelines are approved.

As part of the budget process and integral to building the budget, opportunities for public consultation and input will be available. Public notice will be provided for these events.

**Purpose**

The purpose of this report is to obtain the Budget Committee's approval for the 2009 Operating Budget & Business Planning Timetable and Guidelines.

**Background - Analysis and Options**

**The 2009 Operating Budget Challenge**

The City of Vaughan continues to be subject to the many factors that put significant pressure 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, which are further compounded by expanding service requirements, tax funded infrastructure renewal cost impacts experienced by a high growth municipality, and increasing environmental initiatives. The impacts of these pressures are often enduring and therefore require permanent funding solutions to ensure public services are sustainable in the future. This situation presents significant challenges to achieving a balanced budget while minimizing associated tax rate increases and achieving Council's priorities.

**Guidelines Designed to Maintain Service Levels & Support Vaughan's Vision with a  
Minimum Impact on Taxes**

As illustrated, the 2009 Operating Budget will present a significant challenge in achieving a balanced budget while minimizing any tax increase. Accordingly, the 2009 Operating Budget Process will address this challenge by building on the processes and successes experienced during previous operating budget processes. The Operating Budget Guidelines are further refined to incorporate a more comprehensive budget review through a combination of the following actions:

1. Strict base budget guidelines to limit the size of the budgetary increases;
2. Separate review process to assess additional resource requests;
3. User fee reviews with increases in relation to department costs & cost increases;
4. Business planning and performance measures/benchmarks;
5. Public information/consultation;
6. Continued budget/tax rate analysis.

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

**1. Strict 2009 Base Budget Guidelines to Limit Cost Increases**

Continued strict Operating Budget Guidelines are recommended to minimize the budgetary impact on the tax rate for 2009. These guidelines focus on external pressures and established commitments, limiting base budget increases to the following areas only:

- Salary and benefits relating to previously approved employment agreements;
- Budget impacts associated with previously approved capital projects;
- Budget impacts as per Council approved recommendations;
- Supported external contract price and volume increases, where justified;
- Supported utility increases (Hydro, Water, Natural Gas, & Fuel), where justified;
- Insurance adjustments; and
- Required long term debt principal and interest payments.

Reclassifications and reallocations in non-labour related accounts are permitted, but limited to better reflecting the true nature of the expense or more accurately aligning account budgets. There are no impacts associated with these adjustments and the intent is to refine departmental budgets. As part of the budget process, reallocations/reclassification will be highlighted and illustrate a neutral impact.

In addition, all items containing an economic impact during the Annual Budget Process are to be submitted to the Budget Committee for review & recommendation before Council consideration. This will ensure that all financial requests are captured and assessed within the approved Operating Budget Process.

On a final note, due to program offerings and specific programming requirements, the Recreation Department requires additional flexibility in their operating budget. User fees are governed by the existing User Fee Policy and overall revenues and expenditures fluctuate year over year, depending on various enrollment numbers, program selections, and Community demands and requirements. With some exceptions, overall budget compliance will be monitored based on net budget impact and cost recovery.

**2. Separate Review Process to Assess Additional Resource Requests**

Recognizing the guidelines are very restrictive and understanding that Departments may require funding in excess of base budget guidelines to perform the following:

- Meet strategic priorities;
- Maintain service levels;
- Adhere to regulatory requirements; and
- Implement new initiatives, etc.

The guidelines continue to be complimented by a process that provides departments with an opportunity to formally submit requests for essential resources not permitted within the base budget guidelines, in excess of \$5,000. Council approval is specifically required when, new staff resources, a change in service levels, or new initiatives are brought forward. These requests will not be included in the base operating budget, but identified and presented separately to Senior Management, Budget Committee, and/or Council for consideration and approval. The process will separate the Operating Budget into the following two classifications:

- o Base Budget - Budget submissions based on approved guidelines – Minimal tax increase.
- o Additional Resource Requests – Special or unique requirements not accommodated within existing guidelines requiring SMT and/or Council review and approval.

The intent is to aid key decision makers assess the Operating Budget by pinpointing key operating budget pressures and separating the budget into more manageable components.

A revised single standardized Additional Resource Request Template, enclosed as Attachment 2, will be provided to departments to communicate their requests and business case. The template includes sections to illustrate Vaughan Vision strategic links, costs & benefits, implications & consequences, success indicators, and timelines. This process will provide a consistent step by step approach to assist Senior Management and the Budget Committee in evaluating requests and aligning available resources.

### **3. User Fee reviews with increases in relation to department costs & cost increases**

Inherent in the 2009 Budget Process is a continued emphasis on maximizing the cost recovered on services provided. In addition to adjusting revenues for anticipated changes in activity, departments will be required to review user fees and service charges and report any increase in relation to department cost increases and further demonstrate and submit new user fee and service charge opportunities for Senior Management review and Council approval. It is important to emphasize that any reduction in a user fee or service charge cost recovery ratio will have a corresponding direct impact on the City's levy. Therefore, to minimize any impact on the City's tax rate it is important to sustain or improve revenue/cost relationships.

As a default, it is anticipated that department user fees & service charges will increase at minimum, by the rate to inflation, in 10 cent increments, unless justification for no increase is otherwise specified (i.e. Fully recovered, legislated, etc.). The Statistics Canada Ontario inflation rate increased 1.9% for the 12 month period ending December 2007. The 5 year historical average is approximately 2.1%.

### **4. Business Plans, Service Reviews, and Performance Measures**

Business Plans will continue to be integrated as part of the 2009 Operating Budget Process to help establish and reinforce connections between strategic priorities, Vaughan Vision 2020, and resource allocation. This information compliments the budget process and plays an important role in evaluating department base budget efficiency, effectiveness and productivity through the use of performance measures.

Business Plans will greatly assist Senior Management and the Budget Committee in their budget deliberations by providing a platform to better understand department objectives, pressures and the basis for additional resource requests. This is an important step towards aligning budgets with Vaughan Vision strategic goals, objectives, and priorities.

The Senior Manager of Strategic Planning will be intricately involved with this process and assist with updates and refinements to existing plans.

## **5. Public Consultation & Input**

Public Consultation will be held early in the budget process to gather community input, which will assist in building the budget. In the interest of obtaining maximum feedback and following discussions during last year's Budget Committee sessions, one live public information/consultation forum will be held at the Civic Center, which will be recorded and made available for all citizens to review and provide feedback via the City's Website. The initial setup will require support from ITM and Corporate Communications. Responding to public input will require an involvement and collaboration from all City departments. Forum results will be reported to Budget Committee early in the budget process.

The framework & subject matter of the forum will be relatively consistent with what was offered in the past and focus on the following:

1. Educate and inform the public regarding city services, the cost of those services, municipal issues and their relationship with property taxes; and
2. Obtain input and feedback from the public with respect to the local services provided.

The York Region Separate and Catholic Schools Boards, and the Region of York will be invited to participate.

## **6. Continued Budget/Tax Rate Analysis**

As part of the standard process, staff will undertake various tasks to analyze the Operating Budget to assess efficiency and ensure conformity with approved Operating Budget Guidelines. Examples include analyzing major department increases, guideline compliance, specific expenditure types, historical trends, department user fee recovery ratios, SMT/Council ad hoc requests, tax rate implications, and overall budget reasonability.

### **Continued Budget Process Improvements**

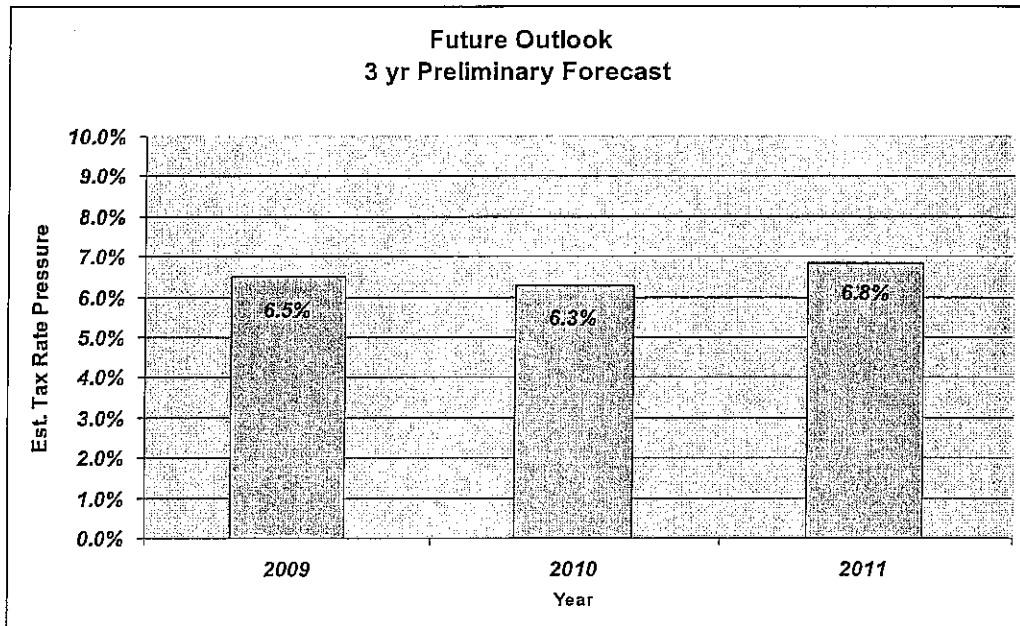
The Budget Department has strived to continuously improve the operating budget process. A strong emphasis is placed on reviewing processes and creating refinements that add value by making the process easier and more informational. Many of these improvements lead to greater efficiencies thereby allowing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

- o Providing significantly more time to prepare department operating budget submissions by issuing instructions earlier each year;
- o Partnering with Human Resources to pre-calculate department salary, benefits, and FTE budgets;
- o Developing electronic workbooks for Departments, with pre-populated information and automatic links to summary tables;
- o Leveraging the ViBE as a communications tool – immediate department access to budget documents, reduced duplication, decreased e-mail volume, and lower costs associated with hard copy printing;
- o Greater emphasis on future financial planning and decision making rather than administering the budget process;
- o Frequent meetings & workshops – Increased interaction with Departments to review requirements, answer questions, provide guidance and support; and
- o Providing additional reporting and analysis.

## Future Outlook

As mentioned in the opening paragraph, the City of Vaughan continues to be subject to the many factors that put significant pressure on the property tax rate. The impacts of these pressures are often permanent and therefore require long-term funding solutions to ensure public services are sustainable in the future.

To illustrate these pressures, a preliminary basic 3 year outlook is provided below. It is important to note that the preliminary outlook is based on general assumptions and trends and excludes impacts associated with future master plan recommendations or the recommended infrastructure funding strategy. Currently under development is the City's long-range financial plan, which once updated, will provide a more meaningful and accurate forecast.



## Operating Budget Timetable

Staff anticipate bringing forward the first draft of the 2009 Operating Budget to the Budget Committee in late November with the intention of a Budget Committee recommendation in early February and Council approval in late February 2009. Efforts will be made to adhere to the timeline, but any issues raised during the 2009 Operating Budget Process could potentially impact the illustrated timing. A timetable is enclosed as Attachment #1. Senior Management Team and Budget Committee meeting dates are currently being scheduled to accommodate this timeline.

## Relationship to Vaughan Vision 2020

This report is consistent with Vaughan Vision 2020's long term goal of financial stability through the design of operating budget guidelines intended to produce a responsible budget. The necessary resources have not yet been approved and will be addressed throughout the 2009 Operating Budget deliberations.

## Regional Implications

N/A

**Conclusion**

The 2009 Operating Budget Timetable and Guidelines requires Budget Committee to provide a recommendation to Council by early February 2009 and a public meeting be held in late February 2009, followed by Council approval. The enclosed guidelines are presented to maintain service levels and support Vaughan's vision with a minimum impact on taxes.

**Attachments**

Attachment No. 1 – 2008 Operating Budget Timetable

Attachment No. 2 – Additional Resource Request Template

**Report prepared by:**

Clayton Harris, CA  
Deputy City Manager/Commissioner of Finance & Corporate Services

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Director of Budgeting and Financial Planning

Al Meneses, MBA  
Manager of Operating Budget

Respectfully submitted,

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Michael DeAngelis, City Manager

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Clayton D. Harris, CA  
Deputy City Manager/Commissioner of Finance & Corporate Services

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John Henry, CMA  
Director of Budgeting and Financial Planning

**City of Vaughan  
2009 Operating Budget Timetable**

<b>Date</b>	<b>Activity</b>
June 23rd, 2008	Budget Instructions, Guidelines and Schedules issued to departments & available on the Vibe
September 5th, 2008	Departments submit their Operating Budget submissions, including Business Plans & Performance Measures
Sept. 6th – October 6th, 2008	Review submissions with the Department and the Commissioner of Finance & Corporate Services
Oct. 15 to November 15, 2008	Senior Management Budget Review & Public Information/Consultation Forum (Dates currently being scheduled)
End of November to January 2009	Draft Operating Budget presented to Budget Committee (Dates currently being scheduled)
Mid Dec. – January 2009	Budget Committee Deliberations
Early February 2009	Budget Committee recommendation to Council & set a date for Public Input (14 Day Notice)
Mid February 2009	Public Input Meeting & Council Approval

**ADDITIONAL RESOURCE REQUEST**

**Request Summary**

Title

Request Components:      Staffing  (check box)      # of FTE       # of complements   
    Other  (check box)

2009 Operating Budget Impact      \$  -

2009 IMPACT BREAKDOWN:

Continuous Funding      \$  -

2009 One-Time Expenses      \$  -

Associated 2009 Capital Impact      \$  -

OFFSETS:      FTE      dollars  
      \$  -

FUTURE IMPACT BREAKDOWN:

	2010	2011	2012
Operating		\$ -	\$ -

	2010	2011	2012
Capital	\$ -	\$ -	\$ -

**1) Description of Request**

Business Unit #:

Business Unit Name:



COMMISSIONER APPROVAL: \_\_\_\_\_



**ADDITIONAL RESOURCE REQUEST**

**2) Relationship to Vaughan Vision 2020 - Goals / Objectives / Initiatives**

A) Identify the specific initiative this resource request relates to, by completing the following:

	Initiative	Ref #	Date	Priority	* Request/Initiative Relationship	Vaughan Vision 2020	
						Objective	Goal
1							
2							
3							

\* Select either - General Correlation or Mandatory for Success from drop box

B) Describe and clearly demonstrate how the request links with the Vaughan Vision 2020 objective or initiative:

**3) Business Plan Link & Performance Indicators**

Please relate request to Department Business Plan:

**4) Benefits - Efficiencies & Effectiveness**

Please detail the benefit of the requests and if the request will provide cost savings, increase efficiency, etc.

**5) Timeline**

Please detail when resources will be required, key milestones, etc.

**ADDITIONAL RESOURCE REQUEST**

**6) Implications/Consequences (if request not approved)**

A) Briefly describe who will be affected by the request (staff, residents, community, etc):

B) Briefly illustrate the impacts/consequences if the request is not approved:

C) Please check off how the request relates to the following:

**Health & Safety**

- None
- Minor issue & require monitoring
- Severe issue, immediate attention required

Comments

**Legislative Requirement (excludes City By-Laws)**

- None
- Little consequence of non compliance
- Significant Repercussion

Please specify:

Specific Legislation (i.e.... Act/Regulation/etc.)

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What are the compliance requirements?

Current status of compliance:

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**Probability of Litigation**

- None
- Unlikely or likely with minor outcomes/consequences
- Uncertain - potential for significant outcomes/consequences
- Definitely significant outcomes/consequences

Comments

**Core City Service Disruption**

- None
- Service provided with minor internal issues -slight inconvenience
- Intermittent service level impact - some public/client complaints/frustration
- Service failure - constant public/client complaints/aggression

BRIEFLY DEMONSTRATE IMPACT:

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**ADDITIONAL RESOURCE REQUEST**

**7) Economic Impact**

2009 Operating Cost Details		one-time or continuous	(\$ dollars)
1			
2			
3			
4			
5			
<b>Subtotal</b>			\$

Revenues / Potential Saving Costs/Offsets		
1		
2		
3		
<b>Subtotal</b>		\$

<b>Total 2009 Operating Impact</b>	<b>Grand Total:</b>	\$
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Other Considerations (Major Impacts):

		(\$ dollars)		
Future year incremental operating impacts and savings	one-time or continuous	2010	2011	2012
1		-	-	-
2		-	-	-
3		-	-	-
<b>TOTAL</b>				

For Information Purposes:

		(\$ dollars)			
Associated Capital Costs	one-time or continuous	Current Year 2009	2010	2011	2012
1		-	-	-	-
2		-	-	-	-
3		-	-	-	-
<b>- TOTAL</b>					

**ADDITIONAL RESOURCE REQUEST**

Complement Details

**COMPLEMENT DETAILS**

2009 BUDGET IMPACT (\$)

	Position #1	Position #2	Position #3
POSITION TITLE			
# OF POSITIONS BEING REQUESTED			
FTEs			
POSITION CLASSIFICATION- FT, PT, UNION, MGMT, etc.			
CONTRACT (Y/N)			
IF CONTRACT, PLEASE SPECIFY IF PERMANENT OR FOR A SPECIFIC TERM			
GRADE / LEVEL			
STEP			
ESTIMATED START DATE			
ANNUAL 2009 BUDGETED SALARY	\$ -	\$ -	\$ -
ANNUAL OVERTIME	\$ -	\$ -	\$ -
ANNUAL BENEFITS (automatic calculation)	\$ -	\$ -	\$ -
COMPUTER EQUIPMENT (one-time)	\$ -	\$ -	\$ -
OFFICE EQUIPMENT AND FURNITURE (one-time)	\$ -	\$ -	\$ -
OTHER EXPENSES (specify) 1) one-time or continuous	\$ -	\$ -	\$ -
2) one-time or continuous	\$ -	\$ -	\$ -
3) one-time or continuous	\$ -	\$ -	\$ -
<b>SUB - TOTAL EXPENSES</b>	\$ -	\$ -	\$ -
<b>OFFSETS (only complete if applicable)</b>			
REVENUE GENERATED	\$ -	\$ -	\$ -
STAFF REDUCTIONS -TYPE	\$ -	\$ -	\$ -
STAFF REDUCTIONS - # OF FTEs			
ACCOUNT REDUCTIONS (specify - e.g. Prof. Fees)	\$ -	\$ -	\$ -
OTHER	\$ -	\$ -	\$ -
<b>SUB - TOTAL OFFSETS</b>	\$ -	\$ -	\$ -
<b>TOTAL NET BUDGETED IMPACT FOR 2009</b>	\$ -	\$ -	\$ -

**8) Other Comments**