

2007 SUCSESSES REPORT - USER CHARGES VARIANCE EXPLANATION

Recommendation

The Director of Financial Services recommends:

That this report be received for information purposes.

Economic Impact

No impact

Communications Plan

Not applicable

Purpose

During the Budget Committee meeting of February 9th, 2009, it was noted that the 2007 User Charges revenue on page 13 of the Successes report was lower than the 2006 User Charges revenue. Following is the explanation of the difference between those years.

Background - Analysis and Options

The Successes report contains a condensed version of the City's consolidated financial statements. These statements reflect the actual financial position and the City's operational and investment activities which include the operating fund, water and wastewater fund, reserve funds, capital fund and the Vaughan Hydro companies including ownership in PowerStream Inc.

The actual User Charges in 2006 totalled \$42.3 million vs. \$36.3 million in 2007 a difference of \$6.0 million. The primary reason for the difference in the 2007 revenues under this category was engineering fees which totalled \$8.1 million in 2006 and \$2.6 million in 2007 a difference of \$5.5 million. These fees relate to development in the City and are raised through fees from subdivision agreements. Engineering fees were unusually high in 2006 due to spine servicing agreements as explained below.

The dramatic increase in engineering revenue in 2006 was due to an increase in spine servicing agreements involving four blocks. These agreements have a large municipal construction component relating to primary roads, storm water management ponds and other servicing infrastructure. The engineering fee is based on construction value and as a result of the spine servicing agreements the fees earned in 2006 were significantly higher. It should also be noted that proceeds from the Engineering fee are allocated to the engineering reserve and withdrawn as required.

Relationship to Vaughan Vision 2020/Strategic Plan

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not applicable

Conclusion

The difference in User Charges revenues from 2006 to 2007 was the result of Engineering fees. In 2006 Engineering fees increased dramatically due to spine servicing agreements which have a large construction costs component which resulted in significantly higher fees.

Attachments

Not applicable

Report prepared by:

Barry Jackson, CGA
Director of Financial Services
Ext. 8272

Respectfully submitted,

Barry Jackson
Director of Financial Services