

2009 DRAFT OPERATING BUDGET – ADDITIONAL INFORMATION REQUEST

Recommendation

The City Manager, Deputy City Manager/Commissioner of Finance & Corporate Services, and the Director of Budgeting & Financial Planning recommend:

- 1) That the following report on the 2009 Draft Operating Budget be received for information and discussion purposes, and;
- 2) That the Budget Committee provide direction with respect to the options to be considered to reduce the 2009 Draft Operating Budget tax rate impact of 5.84% (\$64 a year to the average home) to the Budget Committee's targeted range of 2.5% to 3.0% (Roughly \$28 - \$33 a year to the average home).

Economic Impact

The following report responds to the request from the Budget Committee on February 9th, 2009 to reduce the 2009 Draft Operating Budget from a tax rate impact of 5.84% (\$64 a year to the average home) to a rate in the targeted range of 2.5% - 3.0% (Roughly \$28 - \$33 a year to the average home). Various options are presented to achieve a tax rate increase within the provided direction. Depending on the options selected the reduction required would be in the area of \$3.0M to \$4.0M.

Communications Plan

Not required at this point in time. However, a statutory public meeting with appropriate notice is required before adopting the 2009 Budget. This meeting is scheduled for April 7th at 7:00pm and will be advertised in the City Page on March 12th, 20th and 26th.

In addition to the statutory notice a media release will be developed that articulates the policies, strong management practices and oversight that the City currently has in place to manage revenues and expenses and ultimately provides the residents of Vaughan with value for their property tax dollar through high levels of service and a very low property tax in comparison to other municipalities.

Purpose

This report responds to Budget Committee's request for staff to provide opportunities to further reduce the 2009 Draft Operating Budget tax rate increase of 5.84% to a rate in the targeted range of 2.5% - 3.0% and provide additional information with respect to any revenue decreases and the change in corresponding expenditures in relationship to those revenues.

Background – Analysis and Options

On February 9th, 2009 staff provided a report to Budget Committee illustrating the 2009 Budget next steps and potential budget reductions. This report discussed two key topics, which are summarized below for reference purposes:

Maintaining Service Levels with a Minimum Impact on Taxes

The 2009 Draft Budget is based on budget guidelines that were adopted by the Budget Committee on May 29th, 2008, which was **based on the founding principle to maintain service levels & support Vaughan's Vision with a minimum impact on taxes**. As previously illustrated, more than 50% of the 5.84% tax increase is directly related to community safety and infrastructure repair. The next significant component is to cover the cost increase for contracted services that were tendered and required to maintain levels of service.

Delivering Value For Your Property Tax Dollar

Vaughan takes the management and stewardship of public funds seriously and **increasing property taxes is the last option**. In this regard the City of Vaughan has been very successful. We have consistently had the lowest property rate tax in York Region and one of the lowest property tax rates in the GTA while providing high quality services to the residents of Vaughan. This was possible because for several years the City has had a very rigorous budgetary process that is continually reviewed and refined. That rigorous process includes cost containment, implementing best practices, and demonstrating leadership in financial management.

Budget Committee Direction

On February 9th 2009 the Budget Committee recommended the following:

1. That staff target an increase between 2.5% - 3.0%
2. That staff report back on revenue decreases and the change in corresponding expenditures in relationship to those revenues.

As a result, staff undertook the following analysis with the objective of responding to the above noted direction.

Potential Options to Reduce the Budget

Enclosed in Attachment #1 are a number of options to amend the 2009 Draft Operating Budget tax rate impact to the Budget Committee's targeted range of 2.5% to 3.0%. The options illustrated in Attachment 1 are based on the previously submitted February 9th report. The options previously presented for consideration represent a total adjusted tax increase of 2.95% or approximately \$33 for the average home in Vaughan. It should be noted that some of these options include estimates and others are interim measures which will have an impact on future tax increases.

Since the last Budget Committee meeting new information has become available generating two additional opportunities to further reduce the 2009 Draft Operating Budget. These options are the potential to move the City Page content to the City's website saving print advertising costs, which will be discussed on today's agenda and the recent receipt of a pay equity order from the Pay Equity Commission in February that was lower than originally anticipated and included in the 2009 operating budget. The addition of these options provide an opportunity to further reduce the total adjusted tax increase to 2.84% or approximately \$31 for the average home in Vaughan.

Should the Budget Committee desire to achieve the lower end of the recommended tax increase range, 2.5% or approximately \$28 for the average home, the opportunity exists to leverage additional funding from the tax rate stabilization reserve. An additional \$400,000 would be required to achieve the 2.5% tax increase threshold, increasing the total reserve withdrawal from \$2.73M to \$3.31M. It is important to recognize that this option is an interim measure and does not provide a permanent and sustainable long-term funding source.

To assist the Budget Committee in their discussion illustrated below is a chart detailing the options and budget impacts discussed above.

<i>Action Items</i>	<i>Budget \$ Reduction</i>	<i>Tax Rate Implication</i>	<i>Adj. Tax Rate Increase</i>
2009 Draft Operating Budget Tax Increase			5.84%
Options Presented on Feb 9th, 2009	\$3,095,000	-2.88%	2.95%
Saving print advertising costs by moving the City Page content to the City's website.	\$31,000	-0.03%	2.92%
Pay Equity Order Budget Adjustment	\$100,000	-0.09%	2.84%
<i>Revised Tax Rate Impact</i>	<i>\$3,226,000</i>	<i>-3.00%</i>	<i>2.84%</i>
Tax Rate Stabilization Reserve Funding Increase	\$400,000	-0.34%	2.50%
<i>Revised Tax Rate Impact</i>	<i>\$3,626,000</i>	<i>-3.34%</i>	<i>2.50%</i>

The options presented for consideration represent a means to achieve the 2.5% to 3.0% tax increase range recommended by the Budget Committee. It is important to note the options provided support the mandate of the approved budget guidelines, which is to maintain service levels and support Vaughan's Vision with a minimum impact on taxes. Reducing the budget beyond the options provided will impact on service levels or require a heavier reliance on unsustainable funding sources, which will further impact on future tax increases.

Revenue Decreases and the Change in Corresponding Expenditures

In addition to the above, the Budget Committee requested additional information on any department revenue decreases and the change in corresponding expenditures. Listed below is the information requested on these areas.

Fire & Rescue Services – A revenue reduction of \$119,240 (24%) to \$376,820

Over the past few years, false alarm and auto collision call outs have experienced a slight decline in volume and an increase in uncollectable billings from insurance companies and non-Vaughan residents. The 2009 revenue budget was adjusted to better reflect historical actual trends. This reduction was not offset by a decrease in associated expenditures as emergency response is required at the time of the initial dispatch request. In addition, this service forms only one part of the total Fire & Rescue service function.

Parks Operations – A revenue reduction of \$22,070 (5.37%) to \$388,735

The decrease in Parks Operations revenue results from concluding the Asian Longhorn Beetle initiative and associated external agency recovery funding. Expenses associated with Asian Longhorn Beetle initiative did not require full-time resources and were therefore borrowed from existing resources and programs. Now that the program has concluded resources utilized for this program have been reassigned back to forestry applications.

Economic & Business Development – A revenue reduction of \$125,000 (38.11%) to \$203,000

On Nov. 18th, 2008, the Budget Committee supported staff's recommendation to remove sponsorship revenues and offsetting expenses associated with the 2009 Discover Vaughan Bash. This is largely due to staff being pulled away from planning and organizing the Discover Vaughan Bash to implement the marketing initiatives associated with hosting the 2009 Communities in Bloom conference. Accordingly, \$125k was removed from revenues and \$75k in associated costs was removed from expenses, impacting the overall budget by approximately \$50k.

Development & Transportation Engineering – A revenue reduction of \$24,135 (11.72%) to \$181,865

The revenue budget decrease is largely a result of the anticipated decline in subdivision agreement compliance back charges stemming from improved developer compliance and impacts associated with the current economic climate. The 2009 revenue budget for these charges is now more reflective of 2008 preliminary actual figures. The corresponding expenditures, mainly contracted services, were reduced in proportion to the decrease in revenues.

Relationship to Vaughan Vision 2020/Strategic Plan

This report is part of the process of Council setting its priorities for the year.

Regional Implications

None

Conclusion

This report is provided in response to the Budget Committee direction on February 9, 2009. It meets the Committee's direction; however depending on the options selected there could be an impact on service levels and potentially future tax increases.

Attachments

Attachment 1: Options to Reduce the 2009 Draft Operating Budget

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**City of Vaughan
2009 Operating Budget
Options to Reduce the 2009 Draft Operating Budget**

Attachment 1

	<i>Draft Budget Tax Rate Incr.</i>
Nov. 18 th 2009 Draft Operating Budget Tax Increase	5.72%
Add: Budget Committee Recommendations	0.12%
2009 Draft Operating Budget Revised Tax Increase	5.84%

Index	Action Items	Budget \$ Reduction	Type	Tax Rate Implication	Adj. Tax Rate Increase	Comments
Non-Residential Construction Index = 11.6% & MTO Tender Price Index = 10.24%						
	1. Assessment growth Increase	\$216,947	Permanent	-0.18%	5.65%	Current information indicates there is an opportunity to increase assessment growth from 3% to 3.19%.
	2. Planning Dept. cost savings	\$80,000	Permanent	-0.07%	5.58%	Refer to confidential memo provided at the Feb. 9th Budget Committee Meeting
	3. Hydro dividend revenue	\$750,000	Permanent	-0.64%	4.94%	There is an opportunity to increase the budgeted revenue amount. Previous discussions were around using this for infrastructure renewal.
	4. Comm. of Adjustment fee adjustments	\$142,000	Permanent	-0.12%	4.82%	Based on the COA fee structure that is recommended, which better aligns fees, services and recovery targets. The application of these fees to anticipated volumes generates an increase in revenues.
	5. Water & waster water recovery	\$300,000	Permanent	-0.26%	4.57%	Preliminary study results indicate the water and waste water recovery can be increased. A estimate is provided which will be updated once the study is finalized.
	6. New tax account fees	\$183,000	Permanent	-0.16%	4.41%	An opportunity exists to charge an administrative fee for new tax accounts and ownership changes. This is consistent with some other municipal practices.
	7. Additional Resource Request gapping	\$200,000	Interim Measure	-0.17%	4.24%	Gapping provision for 2009 compliment requests.
Other Municipal Price Indexes (Avg.) = 4%						
	8. Debenture reserve withdrawal	\$300,000	Interim Measure	-0.26%	3.99%	Utilizing the debenture reserve to smooth the escalating costs of the roads debenture program.
	9. Tax stabilization funding	\$520,000	Interim Measure	-0.44%	3.55%	Reconsider Council direction to reduce the use of the Tax Rate Stabilization reserve and maintain the annual withdrawal at \$2.7m.
Public Sector Collective Bargaining Settlement Trends = 3%						
	10. Winter control increase phase-in	\$700,000	Interim Measure	-0.60%	2.95%	Significant winter control cost increases are largely due to contract price increases (\$950,000). The impact on the tax rate can be spread over the 3 year contract term, \$350,000 in 2010 and \$350,000 in 2011.
Consumer Price Index (CPI) 2.0%						
Revised Tax Rate Impact (5.84% less action items)		\$3,095,000		-2.88%	2.95%	