

COMMUNICATIONS

FINANCE & ADMINISTRATION COMMITTEE – JANUARY 17, 2011

Distributed January 13, 2011

- C1** The City Manager, the Commissioner of Finance/City Treasurer, the Senior Management Team and the Director of Budgeting and Financial Planning
“DRAFT 2011/2012 OPERATING BUDGET – ADDITIONAL INFORMATION”, dated January 17, 2011

(Refer to Item 5)

Received at the January 17, 2011, Finance & Administration Committee Meeting

- C2** Presentation Material “2011- 2012 Draft Operating Budget, Planning for the Future, Financial Sustainability: A Key Priority”, dated January 17, 2011

(Refer to Item 5)

Please note there may be further Communications.

FINANCE AND ADMINISTRATION COMMITTEE

JANUARY 17, 2011

DRAFT 2011/2012 OPERATING BUDGET – ADDITIONAL INFORMATION

Recommendation

The City Manager, the Commissioner of Finance/City Treasurer, the Senior Management Team and the Director of Budgeting and Financial Planning recommend:

That the following report on the Draft 2011/2012 Operating Budget, including the additional resource requests, be received for information and discussion purposes

Contribution to Sustainability

See Main Report

Communication Plan

See Main Report

Economic Impact

The City's approach to establishing the City's annual operating budget is twofold. First, the process begins with Council approving very strict budget guidelines which are issued to departments. There are no "across the board" increases.

Second, a separate resource request for each item is required when any additional funding beyond what is permitted under the guidelines is required. There is a thorough vetting process and those requests that are supported by management are individually itemized and recommended to Council.

Together, the Base Budget and the Additional Resource Requests (ARR's) form the annual operating budget.

The impact of each of these components on the 2011/2012 Draft Operating Budget is summarized below:

1. The Base Budget, derived from Council's approved guidelines is approximately \$214m. The budget change over 2010 associated with department submissions based on these guidelines is \$1.46m for 2011, equivalent to a 1.08% tax increase, and \$2.84m for 2012, equivalent to a 1.99% tax increase.

The above increases are largely driven by the following:

- Contractual obligations to maintain service levels; and
- Debenture financing to improve the road network

Notwithstanding the budget guidelines, management reviewed the base budget and made reductions of approximately \$800,000. These are described in more detail in this report.

2. Additional Resource Requests are specific requests not permitted under the guidelines. A total of \$10.7m in ARR's was received and ranked. Of this, the Senior Management Team's recommendation is \$3.1m in 2011, equivalent to a 2.32% tax increase. There are \$3.91m in requests in 2012, equivalent to a 2.74% tax increase.

The above increases are largely driven by the following:

1. Community Safety - \$2.7m spanning 2 years for 30 additional firefighters;
2. Various Service Improvements – i.e. updating Vaughan’s Vision, developing an on-line engagement survey, further supporting business development, etc.
3. Essential Resources to Continue City Services – roads maintenance, parks servicing, enforcement, traffic management, etc.

The attached Draft 2011/2012 Operating Budget reflects the requirement for the following taxation funded increases:

- For 2011 \$4.57m, an approximate property tax increase of \$39.39 a year (\$3.28 per month) on the average home re-assessed at \$472,368 or a 3.40% tax increase.
- For 2012 \$6.8m, an approximate property tax increase of \$56.71 a year (\$4.73 per month) on the average home re-assessed at \$485,122 or a 4.73% tax increase.

Local Hospital Levy - The City has taken steps to bring a much needed hospital and other health care resources to Vaughan. The Government of Ontario requires local communities to support the development of a hospital through a local financial contribution. It should be noted the financial support and plan for the Vaughan Health Campus of Care Hospital was approved on June 15th, 2009. The approved 2011 & 2012 residential property tax increases associated with the separate Hospital Capital Levy is approximately \$19 or 1.36% in each year for the average home. This increase is in addition to the tax rate increase illustrated above to support the City’s operations.

Purpose

The purpose of this report is to provide the Finance & Administration Committee with additional information and details regarding the Draft 2011/2012 Operating Budget, including the major service improvements, enhancements, pressures the municipality is facing, and corresponding tax adjustments on an average Vaughan household.

Background – Analysis and Options

Executive Summary

Planning for the Future

As a result of the City’s long standing dedication to financial management through progressive best practices and prudent policies, the City is in a very strong financial position relative to other municipalities. The City has always considered increasing taxes as a last resort and through prudent policies, tight budget guidelines and strong leadership. As the City moves forward, financial sustainability must continue as one of Vaughan’s key priorities. Over the next decade, the City of Vaughan is expected to undergo a tremendous transformation fuelled by sustained high growth rates, provincially driven intensification, increasing legislative requirements and a number of vision based master plans reflecting important community needs. As the City becomes increasingly more sophisticated it will also face increasing financial pressures beyond the many factors currently placing significant strain on the property tax rate to maintain existing service levels. Vaughan has always taken the management and stewardship of public funds very seriously and continues to demonstrate financial leadership and discipline ensuring residents receive value for their tax dollars. Recognizing the challenges that lay ahead, and building on the financial planning efforts to date, the budget guidelines now incorporate a future focus to provide citizens with more certainty about the direction of City services, finances, and tax levels.

Budget Approach

The City's approach to the annual operating budget is to first develop the Base Budget through the issuance of very strict budget guidelines. Under the guidelines, departments are only permitted to include very specific adjustments in their Base Budget, which are typically related to predetermined agreements, contracts or Council approvals/reductions. There are no "across the board" increases for inflation and no increases for new staffing.

To the extent that a department requires additional resources, a separate business case must be submitted for consideration. These are referred to as Additional Resource Requests (ARR) and are individually vetted through the Directors Working Group, Senior Management Team, the Finance and Administration Committee and finally Council.

The objective of separating the process into the base budget and additional resource requests is to identify the minimum resources based on agreements etc. that are required to maintain the City's service levels and fund other municipal requirements, and review all other requests on an individual basis. Further details with respect to the guidelines, principles or the actions are provided in Section 7 of the Attachment - Comprehensive Budget Review Process.

Base Budget and Additional Resource Request Highlights are provided below:

Base Budget

Although there are many components to the City's base budget, there are four (4) significant, specific adjustments to be highlighted. Technically, in the absence of these four (4) specific adjustments in 2011, there would be a decrease in the base budget. These items and their affect on the budget are illustrated in the following table.

Major 2011/2012 Base Budget Adjustments	2011		2012	
	\$	Rate Incr.	\$	Rate Incr.
Base Budget Change	1,455,270	1.08%	2,844,372	1.99%
Less: Major Improvements & Servicing Increases				
1 Roads Program - debenture repayments	1,000,000	0.74%	1,500,000	1.05%
Infrastructure Contribution			400,000	0.28%
2 Insurance Premiums	509,000	0.38%	200,000	0.14%
Subtotal	1,509,000	1.12%	2,100,000	1.47%
Less: Unanticipated Revenue Reductions				
3 Planning Reserve	500,000	0.37%		
4 Assessment Growth - \$ decline	388,000	0.29%	390,000	0.27%
Investment Income Realignment			500,000	0.35%
Subtotal	888,000	0.66%	890,000	0.62%
Base Budget Excluding Major Adjustments	(941,730)	-0.70%	(145,628)	-0.10%

The above chart further illustrates the City's dedication to financial constraint and providing value for the residents hard earned tax dollar.

Additional Resource Requests (ARR's)

As previously noted, Additional Resource Requests are submitted on an individual basis and are assessed on their respective merits. Initially, there were over 90 requests totalling a combined \$10.7m for 2011 and 2012, which by themselves represented 4.9% and a 3.2% tax increase respectively. It is important to note, all funding requests submitted have merit, however they must be prioritized and ranked.

Recognizing the challenges, Senior Management and the Directors Working Group spent a significant amount of time reviewing and optimizing the requests, which resulted in a number of

requests being partially funded internally and some deferred to future budget years for consideration, without guarantee or special status. Although it is understood that 2012 will reveal many opportunities and issues to be discussed, it is vitally important to begin planning resources beyond a single year to improve financial visibility and to proactively grasp and address future opportunities and challenges. The result is a recommendation to support \$3.1m in 2011 and to advise there are requests totalling \$3.9m in 2012, which translates into a \$27 and a \$33 increase per year, respectively to the average residential property in Vaughan, equivalent to a 2.32% and 2.74% tax increase, respectively. A high-level summary of the additional resource request recommendation is provided in Section 5 of the Attachment and individual requests are located within the department sections of the Attachment.

Combined Base Budget and Additional Resource Requests

The combined impact of the base budget and the additional resource requests on the average home for 2011 and 2012 is as follows:

	<u>2011</u>	<u>2012</u>
Avg. residential assessment value	\$ 472,368	\$ 485,122
Avg. annual residential City tax incr.	\$ 39.4	\$ 56.7
Avg residential City tax incr.	3.40%	4.73%

Future Budget Reallocations/Updates

Notwithstanding the due diligence that has been exercised in preparing the budget, there are components that will require budget updates in the near future. These areas are detailed below:

Harmonized Sales Tax – In December 2009, the Province approved the new Harmonized Sales Tax (HST) structure which came into effect on July 1st, 2010. Overall, the impact associated with HST is relatively minor and mostly offsetting, but will require the realignment of a number of account budgets. To avoid confusion during budget deliberations, HST reallocations will be applied at a later date in the budget process under a separate report. This is intended to help decision makers clearly see the true department budget changes, without the complexity of multiple account budget reallocations across multiple departments.

New Information – The Draft 2011/2012 Operating Budget is based on information at a point in time and as the budget process unfolds new information becomes available through deputations, staff items, or Committee/Council decisions. For example, changes to the capital budget and associated operating budget implications. Authorized adjustments will be consolidated into a final proposed operating budget and presented to the Community and Council at a public input session at the end of the process.

Quick Facts

The following information is provided for quick reference to assist in providing the public and Council members with a context within which to assess the Draft 2011/2012 Operating Budget.

	2010	<u>(Projected)</u>	
		2011	2012
Average residential assessment	\$ 459,367	\$ 472,368	\$ 485,122
Total taxes levied on the average assessed home ***	4,419	4,458	4,515
City of Vaughan portion (26-27%)	1,160	1,199	1,256
City of Vaughan tax adjustment % on total taxes		0.9%	1.3%
VHCC Capital Levy on the avg. home	22	41	42
Reduction for qualifying seniors	298	308	323
A 1% increase in the tax rate generates	\$1.26m	\$1.35m	\$1.43m
Impact of a 1% increase on the average home	\$ 11.45	\$ 11.60	\$ 12.00
Assessment growth (projected)	3.73%	3.17%	2.75%
Tax Rate Increase		3.40%	4.73%

***Increase based only on Vaughan increase

Draft 2011/2012 Operating Budget Review

The City of Vaughan continues to be subject to many factors that place significant pressures 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 etc., which are further compounded by expanding service requirements and tax funded infrastructure renewal cost impacts experienced by a high growth municipality. This situation presents significant challenges to achieving a balanced budget and maintaining service levels while minimizing associated tax rate increases and achieving Council's priorities. To assist the public and Council Members with understanding the challenges facing the City and to assess the Draft 2011/2012 Operating Budget, the remainder of the report is dedicated to reviewing the budget in the following components:

- A. Base budget under the guidelines*
- B. Base budget revenue review*
- C. Base budget expenditure review*
- D. Additional resource requests*
- E. Future outlook*

A) 2011 and 2012 Base Budget under the Guidelines

Based on the budget guidelines, the City's Draft 2011 Operating Budget is approximately \$214m reflecting a \$1.46m funding increase over 2010, equivalent to a 1.08% tax increase.

The City's Draft 2012 Operating Budget is approximately \$223m reflecting a \$2.84m funding increase over 2011, equivalent to a 1.99% tax rate increase.

The above draft operating budgets include an anticipated \$2.5m surplus carried forward from 2010 and \$2.8m subsidization from the Tax Rate Stabilization Reserve. This is consistent with prior year Council direction. These figures **exclude any** budget changes associated with the recommended additional resource requests. These are discussed later in the report.

For the 2011-12 Budget process, all account budgets remained at prior year budget levels with the exception of established commitments and pre-defined external pressures as defined by the approved budget guidelines. In order to check adherence to the guidelines, budget submissions were verified to ensure there were no other increases or that any budgetary increases, outside the guidelines, were offset by corresponding decreases in other line items. Through budget submission reviews and assurances from Commissioners and Directors, there is a very high level of confidence that approved guidelines were followed.

The Budget Guidelines were designed to restrict expenditure increases and this process has been successful as demonstrated by a total increase in department expenditures of only 3.6% in 2011 and 3.5% in 2012. This equates to a \$6.5m year over year increase in departmental expenses for both 2011 and 2012. Approximately 70-80% of the department increase is attributable to changes to support the City's workforce and comply with collective and management agreements. The remaining portion is related to external service contracts, including increases in snow removal, waste management, utilities, and insurance premiums. These services are generally contracted, competitively tendered and awarded to the lowest bidder.

The above adjustments include base budget reductions directed by management, equating to \$815k. These are:

<u>Budget Saving Initiatives</u>	<u>Savings</u>
• Utilizing in-house staff for professional engagements	\$140k
• Improved energy conservation efforts	\$300k
• Efficiencies in ITM communication contracts	\$75k
• Utilizing contingent funds to phase in the partial impact of fire retention	\$300k

To assist the committee in assessing the Draft 2011/2012 Base Operating Budgets resulting from the budget guidelines, the following summary is provided below:

Budget Change Summary

<u>Dept. Expenses per Guidelines</u>	2011 Budget Change			2012 Budget Change		
	\$	%	Tax Rate	\$	%	Tax Rate
<u>Labour Costs</u>						
<u>Volume related adjustments</u>						
-Gapping 2010 complements	80,000					
-Animal control reallocation	649,000					
-FY Impact Fire Hall 7-10	375,000					
<u>Rate based adjustments</u>						
-Fire retention, prog., & agreement	1,079,300			691,503		
-Library market & econ. adj.	647,000			472,720		
-Other City Cupe, & Mgmt agreements	2,184,820			2,815,916		
-Other City prog./job evals	295,024			484,445		
	5,310,144	4.2%	3.95%	4,464,584	3.3%	3.12%
<u>Contractual Obligations</u>	774,019	1.4%	0.58%	1,031,329	3.2%	0.72%
<u>Utilities</u>	161,483	2.1%	0.12%	468,326	6.0%	0.33%
<u>Insurance</u>						
Dept. insurance allocations	367,085	19.1%	0.27%	144,805	6.3%	0.10%
Insurance premium & deductible *	507,000	19.1%	0.38%	200,000	6.3%	0.14%
*neutral impact by resv. offset						
<u>Other Items</u>	(588,749)	-2.0%	-0.44%	228,928	1.5%	0.16%
Dept. Exp. Change	6,530,982	3.6%	4.85%	6,537,972	3.5%	4.57%
Dept. Fee & Service Charges	770,477	2.3%	0.57%	446,748	1.3%	0.31%
Net Dept. Change (Excl Resv.Trfrs)	5,760,505		4.28%	6,091,224		4.26%
<u>Corporate Expenditures</u>						
Long Term Debt	3,087,862	34.3%	2.29%	1,971,427	16.3%	1.38%
Contingency	487,204	45.5%	0.36%	804,509	51.6%	0.56%
General Corp Elections	(1,290,170)	-10.9%	-0.96%	(967,000)	-8.9%	-0.68%
Total Corporate Expenditure Change	2,284,896	9.0%	1.70%	1,808,936	6.6%	1.27%
<u>Corporate Revenues</u>						
Supplemental Taxation	700,000	31.8%	0.52%	0	0.0%	
Debenture Payment Reserve	2,037,862	360.7%	1.51%	521,427	20.0%	0.36%
Build. Std Continuity Reserve	450,000	225.0%	0.33%	600,000	92.3%	0.42%
Insurance Reserve	507,000	19.1%	0.38%	200,000	6.3%	0.14%
Finance from Capital	240,000	21.6%	0.18%	150,000	11.1%	0.10%
Water & Wastewater Recovery	200,000	10.0%	0.15%	100,000	4.5%	0.07%
Election Reserve	(985,000)	-100.0%	-0.73%	0	0.0%	0.00%
Planning Reserve	(500,000)	-100.0%	-0.37%	0	0.0%	0.00%
Winterization Reserve Phase Out	(350,000)	-100.0%	-0.26%	0	0.0%	0.00%
Engineering Reserve	(300,000)	-6.7%	-0.22%	100,000	2.4%	0.07%
Other Reserve Withdrawals	25,925	0.6%	0.02%	52,961	1.2%	0.04%
Provincial Offenses Act (POA)	(890,000)	-100.0%	-0.66%	0	0	0.00%
Investment Income	0	0.0%	0.00%	(500,000)	-13.3%	-0.35%
Other Corporate Revenue	(69,356)	-5.3%	-0.05%	5,615	-2.9%	0.00%
Total Corporate Revenue Change	1,066,431	2.6%	0.79%	1,230,003	2.9%	0.86%
Net Corporate Impact	1,218,465	5.3%	0.91%	578,933	4.8%	0.41%
Net Department & Corporate Impact	6,978,970	3.4%	5.19%	6,670,157	3.1%	4.67%
Less: Assessment Growth (Estimate)	4,130,432	3.17%	3.07%	3,825,785	2.75%	2.68%
Less: POA Regional Tax Shift	1,393,268					
Total	1,455,270		1.08%	2,844,372		1.99%

A more detailed schedule is provided in the attachment under Section 2 Major Change Summary

B) Base Budget Revenue Review

As illustrated in the Base Budget Change Summary, 2011 revenues increased \$1.8m or 2.5% from 2010 levels and 2012 revenues increased \$1.7m or 2.2% from 2011 levels. These figures exclude any impact associated with assessment growth and base taxation adjustments. The primary factors contributing to the increases are as follows:

Supplemental Taxation

2011 increased \$700k, returning to pre-economic downturn levels. It is anticipated that supplemental taxes will plateau over the next few years due to the slow economic recovery and regional housing capacity allocation restrictions.

Funding from Reserves:

2011 increase of \$1.3m:

- The largest component of the increase is related to an increase in funding from the debenture reserve. This is due to change in reporting methodology, from a net basis to more specific account allocations. The debenture payment expense also increased and when consolidated, the net figure is \$9.5m, a \$1m increase over 2010 levels.
- Adjustments occurred in the Fleet and Parks reserves as a result of activity, departmental cost changes, and anticipated growth trends.
- A \$507k increase in the insurance reserve withdrawal to offset premium allocations.
- The finance from capital budget increased by \$240k to better reflect the historical trend in City's actual position.
- An in-house study was conducted in 2009 on the cost sharing of administration activities between the City and Water/Waste Water services. As a result, the increases in cost recovery are being phased in conservatively over time.
- There is also a \$450k increase in the Building Standards reserve, which is actually neutralized by a reduction in Building Standards revenue and increase in associated expenses.
- The above increases were offset by the following:
 - Decrease in funding from the elections reserve of \$985k, which is fully offset by a reduction in election expenses, resulting in a net zero impact.
 - Removal of the Planning reserve withdrawal, \$500k, as this funding is not anticipated to occur for the intended purpose of subsidizing Planning revenues to 100% full cost recovery.
 - Completion of the 2009 winter control contract increase three year phase-in. In 2011 the reserve withdrawal is reduced from \$350k to \$0.
 - Engineering reserve withdrawal adjustment based on a revised costing of the 3.5% subdivision fee activity.

2012 increase of \$1.7m:

- \$850k in adjustments occurred in the Engineering, Fleet, Building Standards, and CIL CIL Recreation Land reserves and recoveries from Water/Waste Water services as a result of activity, departmental cost changes, and anticipated growth trends.
- \$521 increase in funding from the debenture reserve.
- A \$200k increase in the insurance reserve withdrawal to offset premium allocations.
- The finance from capital budget increased by \$150k to reflect the increase in capital projects and the historical trend in City's actual position.

User Fees / Service Charges

2011 increase of \$770k:

- Fire & Rescue Services revenue increased \$136k due to projected increases in call out volume and retail service in the mechanical division.
- Clerk's revenue increased approximately \$117k, largely due to projected volume increases in licensing and committee of adjustment applications.
- Enforcement Services revenue increased approximately \$172k due to the planned implementation of in-house animal control services and associated new revenue expected from inter-municipal service agreements with King Township.
- Recreation revenues increased by \$461k largely due to the climbing demand for services in the new North Thornhill Community Centre and Vellore aquatics programmes. This increase is largely offset by similar expenditure value increases.
- Cultural Services revenues increased by \$85k due to the transfer of events activities and associated sponsorship revenue from Corporate Communications. This increase is met by a corresponding decrease in Corporate Communications.
- Public Works revenue increased by \$368k due to an increase in the regional WDO recycling grant based on the tonnage of waste diverted.
- The above increases were offset by the following:
 - Building Standards revenues decreased \$265k reflecting an anticipated drop in volumes due to regional level capacity issues and slow economic recovery. The reduction in revenue is neutralized by a corresponding increase in reserve funding.
 - Economic & Business Development revenue decreased \$265k as a result of actions stemming from the recently approved Economic Development Strategy, the conversion of VBEC to an independent entity and the elimination of the Tourism Strategy and associated sponsorship revenue.

2012 increase of \$447k:

- Clerk's revenue increased approximately \$102k, largely due to volume increase in licensing applications.
- Recreation revenues increased by \$657k largely due to continuing climbing demand for services in North Thornhill and the opening of a new fitness centre in the Vellore Community Center. This increase is largely offset by similar expenditure value increases.
- The above increases were offset by a \$366k decrease in Building Standards revenues reflecting a continued drop in volumes due to regional level capacity issues and slow economic recovery. The reduction in revenue is neutralized by a corresponding increase in reserve funding.

Corporate Revenues

2011 decrease of \$959k:

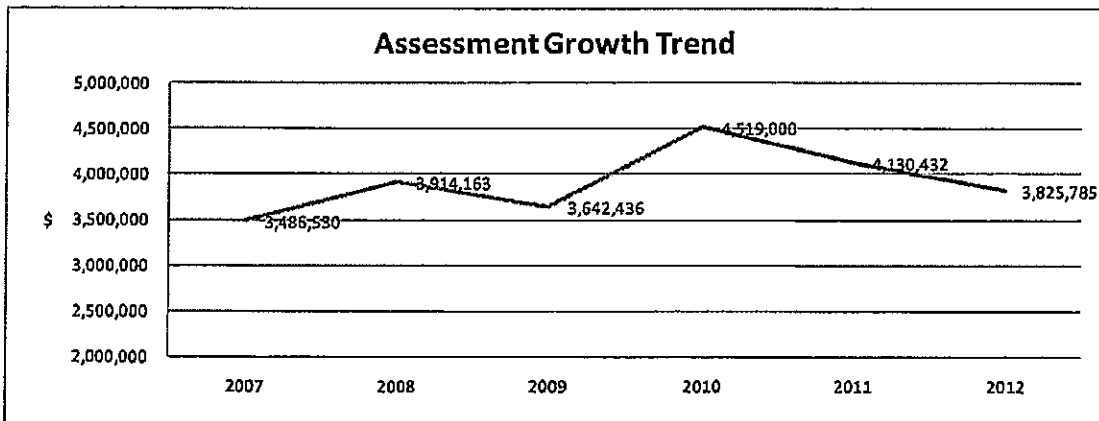
- The main cause for this decrease is due to the shift of Provincial Offences Act (POA) revenue to York Region, approximately \$890k. The POA revenue shift is intended to have an overall neutral impact on the City, as the Region will offset the municipal revenue it will now receive by reducing the regional tax levy by an equivalent amount in 2011.
- The remaining balance is related to a \$100k reduction in fines and penalties to better reflect the historical trend in City's actual position.

2012 decrease of \$494k:

- The reduction is the result of a change in investment income allocation methodology between the operating budget and the various reserve accounts. Beginning in 2012 a phased in approach will begin to allocate a more representative portion of the generated investment income to capital reserves.

Assessment Growth

For 2011 and 2012 assessment growth is estimated at 3.17% and 2.75%, respectively, which translates into roughly 3,400-3,800 new homes contributing an additional \$4.13m and \$3.83m in new property taxes.



This is somewhat lower than the 2010 3.7% growth figure and the 2012 projection is very reflective of the levels experienced in 2008/2009. Although not specifically allocated, these funds help offset the increasing service costs associated with community growth. To illustrate this point, listed below are just a few of the many growth additions planned for the City:

Growth Item	2011	2012
Road Km	19	18
Sidewalk Km	9.5	9.6
Waste/recycling stops	3300	3300
Streetlights	480	489
Parkland Ha	9	30
Trail Ha	2	3
New City Hall	1	
Fire Engines	1	1

All the above additions require funds to operate and maintain service levels. Included in the Draft 2011/2012 Operating Budget are the following estimates of major staffing, contract, utility, maintenance, and associated renewal costs supporting growth.

<i>Growth Impacts</i>	<i>2011 \$ Change</i>	<i>2012 \$ Change</i>
<i><u>Maj. Expenditure Volume Increases</u></i>		
ARR carry forward	80,000	-
Fire Station 7-10	375,000	
Contracts	860,000	583,000
Utilities	101,000	211,000
Recreation	385,000	180,000
LTD- roads program	1,000,000	1,500,000
New facility future replacement cont	-	400,000
	2,801,000	2,874,000
<i><u>Maj. Revenue Volume Increases</u></i>		
Recreation	(90,000)	(285,000)
Other dept. net increases	(309,167)	210,299
	(399,167)	(74,701)
<i>Net Base Budget Growth Impact</i>	2,401,833	2,799,299
<i>Plus growth related ARRs</i>	2,410,000	3,115,000
<i>Less: Assessment Growth</i>	(4,130,432)	(3,825,785)
<i>Assessment Shortfall</i>	681,401	2,088,514

As illustrated above, these are some of the budget items associated with growth, which exceed the amount of additional taxation received through new assessment. This illustrated gap is very conservative, as it excludes the costs associated with new infrastructure co-funding, other infrastructure renewal, and associated overhead costs.

User Fees and Cost Recovery

It is important to recognize there is an ongoing balance between funding through a fee for specific user based services versus funding City services through the general tax rate. To the extent there is a user fee, that fee should be adjusted annually to reflect changes in the cost of delivering the service. Otherwise, by default, there would be a requirement to fund cost increases through the property tax rate.

A concern that revenue might not keep pace was anticipated and as a result the guidelines included a requirement for all user fees and service charges to be increased in relation to department cost increases and at minimum by the rate of inflation. This exercise is proposing to reduce the 2011/2012 Operating Budget by approximately \$313k in 2011 and \$143k in 2012, which is provided for in contingency until the proposed user fee / service charge increases are approved by Council. Separate reports on these topics will be provided for public input and Council consideration.

Approximately 90% of the City's user fees are generated by the following 5 areas:

- Recreation
- Building Standards
- Planning and Committee of Adjustment (COA)
- Enforcement Services
- Licensing

As a result, the majority of the above departments have conducted various fee studies. Some studies resulted from legislative requirements and others were staff-initiated in-depth studies, resulting in the development of cost recovery policies, principals, and targets endorsed by Council. Detailed below is a summary of department and estimated full cost recovery ratios for these areas:

Department Budgeted Recovery (Figures in Thousands)	Recreation	Licensing	Enforcement Services	Planning	COA	Building Standards (OBC)	Building Standards (Non-OBC)
2011 Dept Budget Recovery							
Revenues	\$ 17,382	\$ 963	* \$ 1,997	\$ 2,432	\$ 402	** \$ 8,156	\$ 392
Expenditures	\$ 18,652	\$ 600	\$ 4,534	\$ 2,764	\$ 540	\$ 5,592	\$ 656
Subsidy/(Surplus)	\$ 1,269	\$ (364)	\$ 2,538	\$ 332	\$ 138	\$ (2,564)	\$ 264
Dept Budget Recovery Ratio	93%	161%	44%	88%	74%	146%	60%
2012 Dept Budget Recovery							
Revenues	\$ 18,038	\$ 1,082	* \$ 1,997	\$ 2,485	\$ 402	** \$ 8,389	\$ 392
Expenditures	\$ 19,078	\$ 625	\$ 4,729	\$ 2,888	\$ 557	\$ 5,814	\$ 682
Subsidy/(Surplus)	\$ 1,039	\$ (457)	\$ 2,732	\$ 403	\$ 154	\$ (2,575)	\$ 290
Dept Budget Recovery Ratio	95%	173%	42%	86%	72%	144%	57%
2010 Budget recovery Ratio	94%	158%	43%	95%	70%	161%	53%
Full Cost Estimate (ABC Model)							
2011 Full Cost Recovery Ratio	44%	67%	48%	49%	42%	100%	31%
Subsidy/(Surplus)	*** \$ 22,184	\$ 482	\$ 2,158	\$ 2,512	\$ 551	\$ 2	\$ 873
2012 Full Cost Recovery Ratio	44%	72%	46%	48%	41%	100%	31%
Subsidy/(Surplus)	*** \$ 22,621	\$ 424	\$ 2,325	\$ 2,688	\$ 591	\$ 19	\$ 879
2010 Budget Full Cost Recovery Ratio	44%	73%	42%	45%	41%	100%	28%
Policy Recovery Goal	95% Dept. Cost	100% Full Cost		100% Full Cost	100% Full Cost	100% Full Cost	

* Enforcement revenues no longer includes POA revenues. 2010 ratio adjusted for comparison purposes.

** Building Standards revenues include a \$650,000 draw from Building Standards Continuity Reserve in 2011 and \$1,250,000 in 2012.

*** Recreation Building & Facility costs approximately \$15.3M in 2011 and \$15.8M in 2012.

As illustrated above, most areas are recovering more than 70% of their department budgets.

- Building Standards continues to maintain a 100% building code full cost recovery target in 2011 and 2012 with a draw from the Building Standards Service Continuity Reserve in anticipation of lower volumes created by regional level capacity issues and slow economic recovery.
- Licensing also continues to achieve their target of recovering business licensing full costs in 2011 & 2012. It should be noted, the department full cost recovery illustrated is lower than 100% due to a portion of the department being devoted to risk management and some licensing fee restrictions are applied to lottery, livestock, and other licenses.
- Recreation is planning to recover 93% of their departmental costs, slightly lower than last year due to the impacts of HST on product demand. 2012 illustrates a 95% recovery, which is in line with their policy target.
- Enforcement Services recovery has dropped from 64% to a low 40% figure, largely due to the shifting of Provincial Offences Act (POA) revenue to the Region, as discussed in an earlier section of this report. However, adjusted comparisons illustrate the revised recovery ratios are relatively stable for 2011 and 2012. The recovery ratio is anticipated to improve over time with the implementation of the Administration Monetary Penalties initiative which is intended to streamline the process and improve City collection efforts. It should be noted, that a recovery policy is not in place for enforcement services, as this service is driven by compliance.

- Planning and COA revenues are falling significantly short of achieving the goal of full cost recovery, and falling slightly under department cost recover at almost 90% for Planning and mid 70% for COA. Fee increases are planned for 2011 and 2012, but they are intended to maintain or slightly improve recovery levels. The recovery shortfall is largely a result of declining application volumes caused by the slow economic recovery and housing capacity allocation restrictions. *Moving forward, a discussion on the actions and timing to achieve the target or target reassessment is necessary.*

As demonstrated above, most areas are recovering a large portion of their budgeted department costs and a significant portion of full costs. In addition, various benchmarking comparisons have been performed by departments and external consultants indicating Vaughan's recovery targets are on-par or better than neighbouring municipalities. This is another indication of the City managing its finances in a prudent manner.

C) Base Budget Expenditure Review

As illustrated in the Revenue and Expense Summary in Section 1 of the Attachment, total expenditures increased \$8.8m in 2011 and \$8.3m in 2012. The primary factors contributing to the increase in City expenditures are as follows:

Departmental Expenditures

2011 increase of \$6.53m, including the \$672k Library Board increase:

This represents an increase of 3.6% over the 2010 departmental budget, and largely due to the following items:

- Of the total departmental budget increase, approximately 80% or \$5.3m is related to changes to support the City's workforce. In addition to cost of living increases, approximately \$3.3m, the following increases occurred:
 - \$375k increase for the full-year impact of station 7-10 firefighters.
 - \$350k increase to top up the funding required for the implementation of 3/6/9 fire retention. This increase is being phased in over time with a declining offsetting balance spread over 2 years.
 - \$650k increase for staffing to perform animal control in-house. This cost is offset by a similar reduction in related contract costs.
 - The remaining balance is related to progressions, job-evaluations part-time surveys, market adjustments etc. Approximately \$100k is related to increases in the Library due to a 2010 management market survey.
- The second largest component of the department expenditure budget increase is related to pressures from contract services (\$774k) and utilities (\$161k). These increases are typically the result of increasing demands on services due to growth and industry price obligations. Overall, contract service lines increased by 1.4% and are mainly related to waste management, winter control, ITM services, parks maintenance, etc. This figure is understated when compared to historical trends due to a \$700 reallocation of funds between contracts and labour accounts to perform in-house animal control services. Utilities increased 2.1%, which is much less than anticipated due to a \$360k savings in the natural gas budget resulting from energy conservation efforts.
- Insurance expense premiums and planned deductibles increased by \$507k or 19% as a result of recent negotiations and are related to an increase in facilities and shared use facilities. In line with the above, allocations to departments increased \$367k; the remaining balance is associated with corporate requirements. The above is offset by a reserve transfer netting the overall City budget adjustment to \$507k.
- The remaining balance is related to reductions in the base budget by management. These are mainly:

<u>Budget Saving Initiatives</u>	<u>Savings</u>
• Utilizing in-house staff for professional engagements	\$140k
• Utilizing contingent funds to phase in the partial impact of fire retention	\$300k
• Economic Development	\$100k
	<hr/>
	\$540k

Excludes the following budget savings captured in previous labour/contract sections

• Improved energy conservation efforts	\$300k
• Efficiencies in ITM communication contracts	\$75k

2012 increase of \$6.54m, including the \$493k Library Board increase.:

This represents an increase of 3.5% over the 2011 departmental budget, and largely due to the following items:

- Of the total departmental budget increase, approximately 68% or \$4.5m is related to changes to support the City's workforce. The majority of the increase is related to regular cost of living increases. This increase is elevated over 2011 figures as the effective rate increases from 2.65% to 4.02%. In addition, benefit rates increased from 25.5% to 26% due to pressures on OMERS contributions and increasing EI and CPP thresholds. A small portion is also related to staff experience progressions.
- The second largest component of the department expenditure budget increase is related to pressures from contract services (\$1m) and utilities (\$470k). These increases are typically the result of increasing demands on services due to growth and industry price obligations. Overall contract service lines increased 3.2% and are mainly related to waste management, winter control, ITM services, parks maintenance, etc. Utilities increased 6%, due to associated price and volume increases. These figures are higher than the previous year increases as they are not masked by the reallocation of animal control service contract funds or reductions in natural gas due to conservation efforts, which occurred in 2011.
- Insurance expense premiums and planned deductibles increased by \$200k or 6.3% as a result of recent negotiations and are related to an increase in facilities and premium adjustments. In line with the above, allocations to departments increased \$145k; the remaining balance is associated with corporate requirements. The above is offset by a reserve transfer netting the overall City budget adjustment to \$200k.

Corporate Expenditures

Corporate expenditures contributed to the remaining City expenditure increase, 2011 \$2.28m and 2012 \$1.81m. This represents an increase of 9.0% and 6.6% for 2011 and 2012, respectively. Explanations for the budget increase are as follows:

2011 increase of \$2.28m:

- Corporate and election expenses decreased by \$1.3m, mainly as a result of the \$985k budget removal for funds to administer the 2010 municipal election. This cost is fully funded by a transfer from the election reserve and therefore results in a net neutral budget impact. A \$500k increase is also experienced in corporate labour savings to phase in increases over 2 years to better reflect the historical turnover rate. The above reductions in corporate expenses are partially offset by increases in corporate insurance and a \$100k increase in the election reserve contribution to meet future election expenses, as approved by Council. Increases were also experienced in other minor accounts i.e. bank charges, etc.
- The repayment of long term debt increased by \$3.1m for debt previously issued primarily to fund major road projects. In part, a significant portion of the increase is due to a change in reporting methodology from a net basis to more specific account allocations. The debenture reserve also increased, and when combined, the net figure is \$9.5m, \$1.0m higher than 2010 levels.
- A \$487k expenditure increase is also experienced in the City's contingency account and relates to future negotiations and certain foreseeable events i.e. fee increases, corp. reorganizations, etc. Once the outcomes of these events are determined, balances will be reallocated to the appropriate department budgets.

2012 increase of \$1.81m:

- Corporate and election expenses decreased by \$1m, mainly as a result of the \$1m budget removal for City Hall funding, which reverts to LTD to fund related City Hall debenture payments issued in the fall of 2011. Corporate labour savings increased another \$500k, the final year phase-in, to better reflect the historical turnover rate. The above reductions in corporate expenses were partially offset by a \$400k increase in infrastructure contributions, as per policy, related to North Thornhill, Station 7-10, and fitness centre expansions. Minor increases were also experienced in other accounts i.e. tax adjustments, bank charges, joint services etc.
- The repayment of long term debt increased by \$2.0m for debt intended to be issued in 2011 primarily to fund major road projects. The debenture reserve also increased and when combined, the net figure is \$11m, \$1.5m higher than 2011 levels.
- An \$805k expenditure increase is also experienced in the City's contingency account and relates to anticipated negotiations and certain foreseeable events i.e. fee increases, corp. reorganizations, etc. Once the outcomes of these events are determined, balances will be reallocated to the appropriate department budgets.

Expenditure Review – Degree of Flexibility

To assist Council in assessing the base budget, the following summary illustrates how the City's expenses are allocated to major expense types:

	2011			2012		
	Base Budget (\$)	% of Total Budget	Cumulative (%)	Base Budget (\$)	% of Total Budget	Cumulative (%)
Operating Expenditures						
Salaries and Benefits	119,829,743	55.9%	55.92%	123,794,327	55.6%	55.61%
Service Contracts	31,135,217	14.5%	70.46%	32,128,024	14.4%	70.04%
Long Term Debt	11,646,528	5.4%	75.89%	13,476,518	6.1%	76.09%
Reserve Contributions	10,766,379	5.0%	80.92%	10,657,816	4.8%	80.88%
Maintenance/Materials	8,448,652	3.9%	84.86%	8,518,636	3.8%	84.71%
Utilities & Fuel	7,966,337	3.7%	88.58%	8,436,977	3.8%	88.50%
Capital from Taxation	6,629,522	3.1%	91.67%	6,629,522	3.0%	91.48%
Insurance Expenses	3,147,000	1.5%	93.14%	3,347,000	1.5%	92.98%
Professional Fees (Incl. OMB)	2,275,982	1.1%	94.20%	2,276,985	1.0%	94.00%
Contingency	1,559,066	0.7%	94.93%	2,363,575	1.1%	95.06%
Sundry	1,400,000	0.7%	95.58%	1,450,000	0.7%	95.72%
All Other	9,465,875	4.4%	100.00%	9,537,829	4.3%	100.00%
Total Base Budget Expenditures	214,270,301	100.0%	---	222,617,209	100.0%	---

The summary above illustrates that the City has limited flexibility in any given year to significantly alter the City's cost structure in the short term. More than 75% of the costs are committed through collective agreements, service contracts, and financing arrangements. Other reductions will impact the maintenance and repair of the City's infrastructure.

Considering Factors Other Than CPI When Assessing the Budget

When assessing the Draft 2011/2012 Operating Budget, it is very important to put municipal cost increases into perspective. It is very common for residents to gauge a municipality's performance against the Consumer's Price Index (CPI), but there are 2 inherent pitfalls with this comparison.

1. Inflation rates try to capture cost increases and do not incorporate other non-cost related factors associated with a municipality such as growth, infrastructure repair, new services or initiatives, legislative requirements, revenue fluctuations, etc. These items are in addition to cost increases and would not be included in an inflation rate such as the Consumer Price Index (CPI), much the same way as CPI would not be a reasonable predictor of increasing household expenses if the size of the family increased.
2. CPI is intended to measure the cost increases experienced by the typical Canadian household and includes retail items such as food, clothing, entertainment and other household purchases. Unlike an average Canadian household, municipal expenses are very labour, contract, and material intensive. **Therefore, there is not a strong relationship between CPI and municipal budget increases.** In addition to CPI, there are other indices available, which are specific and better suited to gauge the price increases associated with municipal spending components (i.e. public sector collective bargaining settlement trends, machinery and equipment index, non-residential construction index, MTO tender price index, etc). An alternative approach would be using a municipal price index (MPI) based on applying relevant indices/indicators to the weighting of major expense categories. Using this approach, Vaughan's composite municipal price index, utilizing the expenditure structure illustrated in the above section, would be more inline with the table below.

Component	% of Budget	Inflation Figure	Source	Weighted Average
Salaries and Benefits	54.0%	3.0%	Ministry of Labour - April 2010	1.6%
Contracts and Materials	19.0%	6.5%	Average Historical Increase (budget)	1.2%
Utilities and Fuel	3.0%	6.7%	Stat's Can. Nov. 2010 - Energy CPI	0.2%
Capital Funding	8.0%	1.2%	Construction Price Index - Sept.	0.1%
All Other	16.0%	1.4%	Core Inflation - Nov. 2010	0.2%
	100.0%			3.4%

Consideration must be given to all factors when assessing the budget and associated tax increases. It is important to note the City's total department and overall City expenses include growth impacts, which are not included in the above municipal price index. This clearly demonstrates Vaughan's solid and effective financial management, as stripping growth components from Vaughan's expenditure increase would yield cost increases below the above illustrated guide. Adding a 3.17% growth component to the municipal index would increase the percentage guide to 6.5%. Total City expenditure increases are beating the MPI adjusted percentage guide; clearly illustrating Vaughan is managing its finances within industry ranges and providing the tax payer with value.

Note: The Vaughan's Municipal Price Index (MPI) has increased over the 2010 index, 2.21%, due to increases in the salary & benefit, utilities and fuel, and construction cost sectors. This is a positive indication the economy is returning to historical activity levels.

D) Consideration of Additional Resource Requests

As indicated earlier in this report, the budget guidelines were complimented by a process that allowed departments to formally submit requests for essential resources not permitted by the budget guidelines for the Finance and Administration Committee and Council consideration. As a result, departments submitted over 90 additional resource requests with a total cost of over \$10.7m spread over 2011 and 2012. This figure includes the Library Board's additional resource requests totalling \$911k.

Demonstrating respect for the tax payer's dollar and recognizing the challenge of balancing requests for additional resources with limited funding resources, SMT initiated a process, which included developing a Director's working group, to prioritize and review additional resource requests. All additional resource requests were evaluated based on their merits and the following criteria:

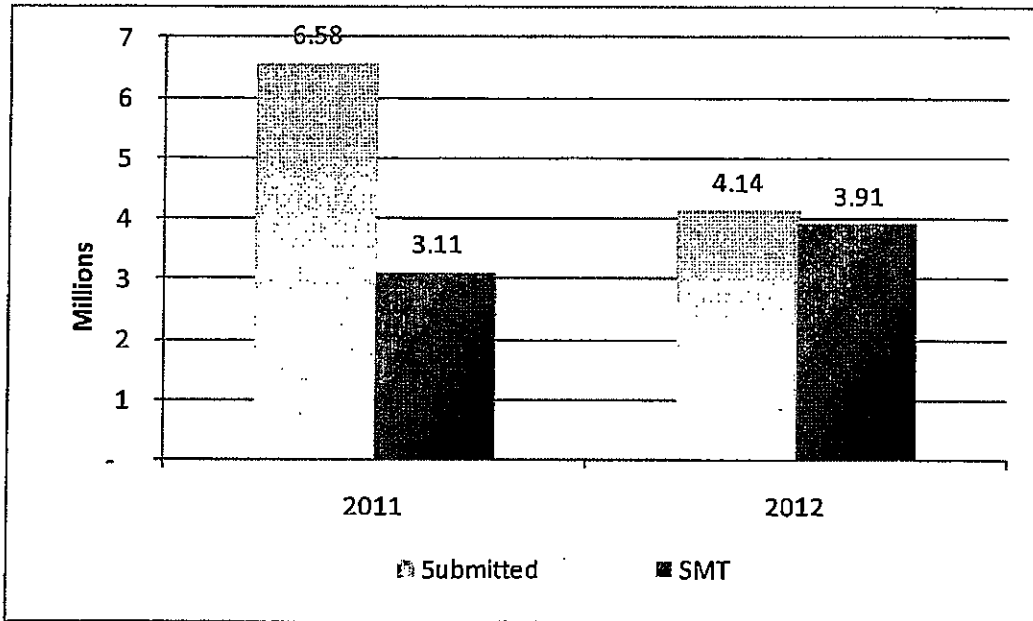
- Mitigating municipal risk;
- Municipal value;
- Maintaining service levels;
- Achieving the Vaughan Vision initiatives, etc.

After considerable deliberation and review, SMT has finalized a recommended Additional Resource listing for consideration by the Finance and Administration Committee. The process infuses a high degree of objectivity and transparency, of which the end result is a more realistic and responsible list of additional resource requests based on a blend of associated municipal risk exposure, service levels, and the Vaughan Vision initiatives. It should be noted, that included in the list are internal funding offsets amounting to \$990k for 2011 and \$518k for 2012, demonstrating staff's ability to redirect existing resources. This provides another example of the City managing its finances in a prudent manner. It also includes \$1.5m in 2011 and \$2.8m in 2012 to support Vaughan's Vision and associated master plans, initiatives and strategies. Although 2013 is not part of the Draft 2011/2012 Operating Budget, items deferred beyond 2012 will be considered during next year's process for the years 2013 and 2014. This information is important, as it provides added visibility to our community stakeholders and decision makers. Additional information on the 2011 & 2012 requests are provided in the 2011/2012 Operating Budget Package attachment:

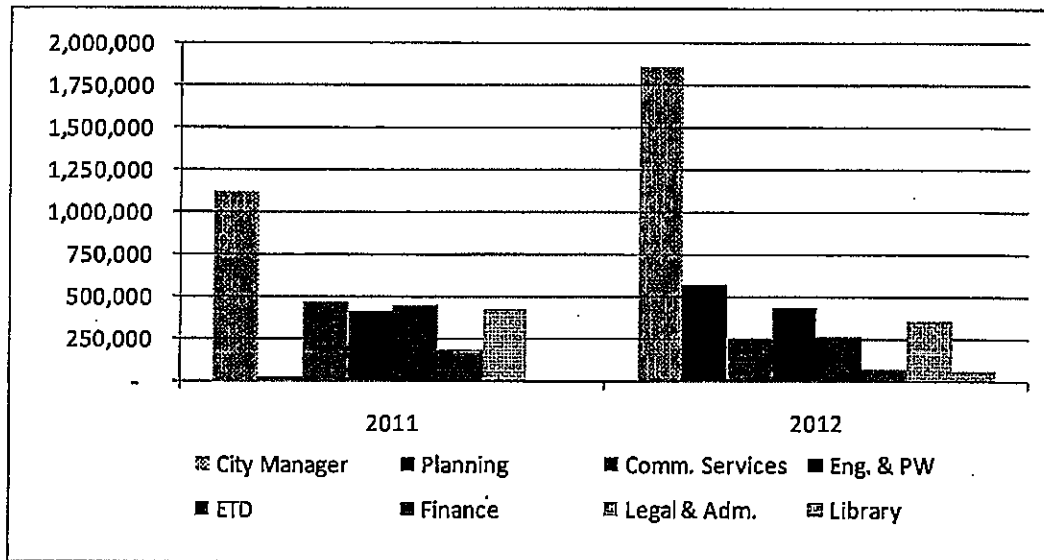
- Section A - Complete list of additional resource requests
- Dept. Sections – Recommended additional resource request business cases

The tables below illustrate a high-level summary of SMT's ARR review.

SMT ARR Review vs. Submission Summary



SMT Additional Resource Requests by Year by Commission



2011 Additional Resource Requests

Senior Management Team Recommendations

#	Department	Description	# of Positions	2011 Net FTE	Annual Cost	Offsets	Cappping	2011 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.	2012 Impact	
2011 Base Budget Increase													
Zero Budget Impact													
A1	Building Standards	1 Plans Examiner (Zoning)	1	1.00	83,560	(83,560)		-	-	0.00%	1.08%	1,302	
A2	Building Standards	1 Clerk Typist D	1	1.00	59,411	(59,411)		-	-	0.00%	1.08%	(925)	
A3	City Financial Services	Finance Business / Project Manager	1	1.00	109,098	(109,098)		-	-	0.00%	1.08%	12,257	
A4	Dev./ Transp. Eng.	Municipal Services Inspect. Erosion Sediment Cont.	1	1.00	103,849	(103,849)		-	-	0.00%	1.08%	6,903	
A5	Dev./ Transp. Eng.	Spadina Subway TTC Sr. Eng. Asst. (Contract)	1	1.00	101,907	(101,907)		-	-	0.00%	1.08%	-	
A6	Engineering Services	Municipal Services Inspector	1	1.00	97,744	(97,744)		-	-	0.00%	1.08%	-	
A7	Enviro. Sustain.	Sustainability Coordinator (Contract Conv.)	1	-	79,749	(79,749)		-	-	0.00%	1.08%	7,892	
A8	Fleet	Filing Clerk (FT Conv.)	1	0.31	43,916	(43,916)		-	-	0.00%	1.08%	3,300	
Budget Impact													
1	Access Vaughan	Citizen Service Representatives	2	1.38	93,388	-		93,388	93,388	0.07%	1.15%	(6,116)	
2	Budgeting & FP	Budget Analyst	1	1.00	100,788	-		100,788	194,176	0.07%	1.23%	7,598	
3	Buildings & Facilities	Mechanical Supervisor	1	1.00	110,945	-		110,945	305,122	0.08%	1.31%	7,947	
4	Corporate Comm	Public relations staff	1	1.00	83,249	-		83,249	388,371	0.06%	1.37%	3,892	
5	Development Planning	Urban Design Awards Program	-	-	30,000	-		30,000	418,371	0.02%	1.39%	(30,000)	
6	Eco. Dev	Research Coordinator	1	1.00	75,473	-		75,473	493,844	0.06%	1.45%	7,188	
7	Enforcement Services	Licensing Enforcement Field Officer	1	1.00	84,493	(45,000)		39,493	539,338	0.03%	1.48%	4,252	
8	Enforcement Services	Property Standards Officer	1	1.00	86,988	-		86,988	620,326	0.06%	1.54%	2,502	
9	Engineering Services	Manager of Traffic Engineering	1	1.00	125,527	-		125,527	745,854	0.09%	1.64%	7,359	
10	Engineering Services	Administrative Assistant	1	1.00	75,348	-		75,348	821,201	0.06%	1.69%	1,532	
11	Fire & Rescue Services	7-10 Engine Crew (6 FF & 4 Cap)	10	10.00	959,746	-		959,746	1,780,948	0.71%	2.41%	(10,200)	
12	Fire & Rescue Services	Mechanic - Emergency Vehicle Technician	1	1.00	61,674	(25,000)		56,674	1,837,621	0.04%	2.45%	-	
13	Human Resources	Prof. Fees - Engagement Survey	-	-	50,000	-		50,000	1,887,621	0.03%	2.49%	-	
14	Human Resources	Crossing Guard Coordinator (FT Conv.)	1	0.50	78,907	(33,595)		45,312	1,932,933	0.07%	2.59%	3,754	
15	Human Resources	Learning & Dev. Specialist	1	1.00	89,375	-		89,375	2,022,308	0.07%	2.66%	12,328	
16	Human Resources	Recognition Awards	-	-	15,000	-		15,000	2,037,308	0.01%	2.67%	-	
17	Info & Tech. Management	ITM Security Analyst	1	1.00	99,888	-		99,888	2,137,196	0.07%	2.67%	5,551	
18	Info & Tech. Management	Enterprise Data Architect	1	1.00	99,888	-		99,888	2,237,085	0.07%	2.75%	5,551	
19	Legal Services	Junior Lawyer OMB Contract	1	1.00	142,664	(112,220)		30,444	2,267,528	0.02%	2.77%	(2,389)	
20	Legal Services	Law Clerk	1	1.00	67,885	-		67,885	2,335,413	0.05%	2.82%	4,133	
21	Parks Ops	2 Park Attendants	2	2.00	145,386	(100,176)		45,210	2,380,623	0.03%	2.85%	9,292	
22	Parks Ops	Assistant Foreperson (Horticulture)	1	1.00	97,768	-		97,768	2,478,411	0.07%	2.92%	109	
23	Parks Ops	2 Temp Seasonal Employees	2	1.67	70,534	-		70,534	2,548,945	0.05%	2.98%	-	
24	Purchasing Services	Buyer	1	1.00	87,861	-		87,861	2,636,806	0.07%	3.04%	(988)	
25	PW / Roads	Roads Supervisor	1	1.00	108,545	-		108,545	2,745,351	0.08%	3.12%	10,697	
26	PW / Roads	Sign Crew (2 Equipment Operators)	2	2.00	104,393	-		104,393	2,849,745	0.08%	3.20%	-	
27	Recreation Culture	Vellora CC Fitness Centre Staff (Gapped)	2	0.17	173,648	-		(159,177)	14,471	2,864,215	0.01%	3.21%	166,889
28	Recreation Culture	Diversity & Inclusivity Comm. Program	-	-	75,000	(25,000)		50,000	2,914,215	0.04%	3.25%	(60,000)	
29	Recreation Culture	Special Events Coordinator	1	1.00	88,599	-		88,599	3,002,815	0.07%	3.31%	(6,500)	
30	Strategic Planning	Vision 2020 Strategic Plan Update	-	-	50,000	(15,000)		35,000	3,037,815	0.03%	3.34%	(15,000)	
31	Strategic Planning	On-Line Citizen Engagement Survey	-	-	75,000	-		75,000	3,112,815	0.06%	3.40%	(50,000)	
Total of ARR's Recommended by Senior Management Team			47	42.03	4,307,216	(1,035,225)	(159,177)	3,112,815		2.32%		110,100	

Total Tax Increase (1%=\$1,345,514)

2011 Base Budget Increase

Tax Increase due to ARR Recommended by Senior Management Team

3.40%
1.08%
2.32%

Rounded

Note 1:

A check mark in this column indicates an ARR with a direct link to Vaughan Vision 2020 and/or a Master Plan.

**2012 Additional Resource Requests
Senior Management Team Recognized**

#	Department	Description	# of Positions	2012 Net FTE	Annual Cost	Offsets	Gapping	2012 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.	2013 Impact
2012 Base Budget Increase												
Zero Budget Impact												
A1	Dev. Transp. Eng.	TDM Coordinator	1	1.00	106,401	(106,401)		-	96,743	0.07%	1.99%	(10,200)
A2	Dev./ Transp. Eng.	TTC Mnl. Inspector Contract Position	1	1.00	108,122	(108,122)		-	68,039	0.05%	1.99%	(8,000)
A3	Engineering Services	Project Manager	1	1.00	101,141	(101,141)		-	87,591	0.06%	1.99%	-
A4	Engineering Services	Capital Design Team	2	2.00	182,789	(182,789)		-	579,480	0.41%	1.99%	-
Budget Impact												
1	Access Vaughan.	Citizen Service Representatives	2	1.38	96,743	-		96,743	96,743	0.07%	2.06%	(9,000)
2	Buildings & Facilities	Vellore CC FC Facility Operator I -	1	1.00	68,039	-		68,039	164,781	0.05%	2.11%	5,756
3	Corporate Comm	Web Content Mgmt Position	1	1.00	87,591	-		87,591	252,372	0.06%	2.17%	(4,000)
4	Dev. Planning	Zoning By-law Review Contract Staff	6	6.00	579,480	-		579,480	831,852	0.41%	2.57%	(17,101)
5	Dev. Transp. Eng.	Clerical Assistant	1	1.00	67,737	(20,000)		47,737	879,589	0.03%	2.61%	(7,571)
6	Eco. Dev	Business Development Officer	1	1.00	87,573	-		87,573	967,162	0.06%	2.67%	-
7	Enforcement Services	Property Standards Officer	1	1.00	90,476	-		90,476	1,057,637	0.06%	2.73%	(2,584)
8	Engineering Services	Traffic Analyst	1	1.00	84,862	-		84,862	1,142,500	0.06%	2.79%	622
9	Engineering Services	Traffic Technician	1	1.00	58,487	-		58,487	1,200,986	0.04%	2.83%	429
10	Fire & Rescue Services	Communication Operators	2	2.00	154,761	-		154,761	1,355,748	0.11%	2.94%	-
11	Fire Services	Station 75 - Engine Crew (16 FF & 4 Cap)	20	20.00	1,711,015	-		1,711,015	3,066,762	1.20%	4.14%	(10,200)
12	Human Resources	HR Partner	1	1.00	103,341	-		103,341	3,170,104	0.07%	4.21%	(1,200)
13	Human Resources	Learning/Dev. Specialist & Coordinator	2	2.00	165,436	-		165,436	3,335,539	0.12%	4.32%	(2,400)
14	Library	E-Media Pilot Specialist (Cont.) gapped	1	0.50	69,910	-	(34,955)	34,955	3,370,494	0.02%	4.35%	5,398
15	Library	Resource Purchasing Power Protection	1	-	32,120	-	-	32,120	3,402,614	0.02%	4.37%	-
16	Parks Ops	Temp Seasonal Employees	2	1.67	35,267	-	-	35,267	3,437,881	0.02%	4.40%	-
17	Parks Ops	GPS - Sidewalk Snow Plow Machines	1	-	42,723	-	-	42,723	3,480,604	0.03%	4.42%	-
18	Purchasing Services	Sr. Technical Position	1	1.00	71,453	-	-	71,453	3,552,057	0.05%	4.47%	(740)
19	PW/Roads	Micro Milling	1	-	250,000	-	-	250,000	3,802,057	0.17%	4.65%	-
20	Recreation Culture	Special Events Supervisor	1	1.00	110,491	-	-	110,491	3,912,549	0.08%	4.73%	(6,500)
Total of ARRs Recognized by Senior Management Team								3,912,549		2.74%		(66,711)

Total Tax Increase (1%=\$1,429,453)

2012 Base Budget Increase

Tax Increase due to ARRs Recognized by Senior Management Team

4.73%
1.99%
2.74%

Note 1:

A check mark in this column indicates an ARR with a direct link to Vaughan Vision 2020 and/or a Master Plan.

E) Future Outlook

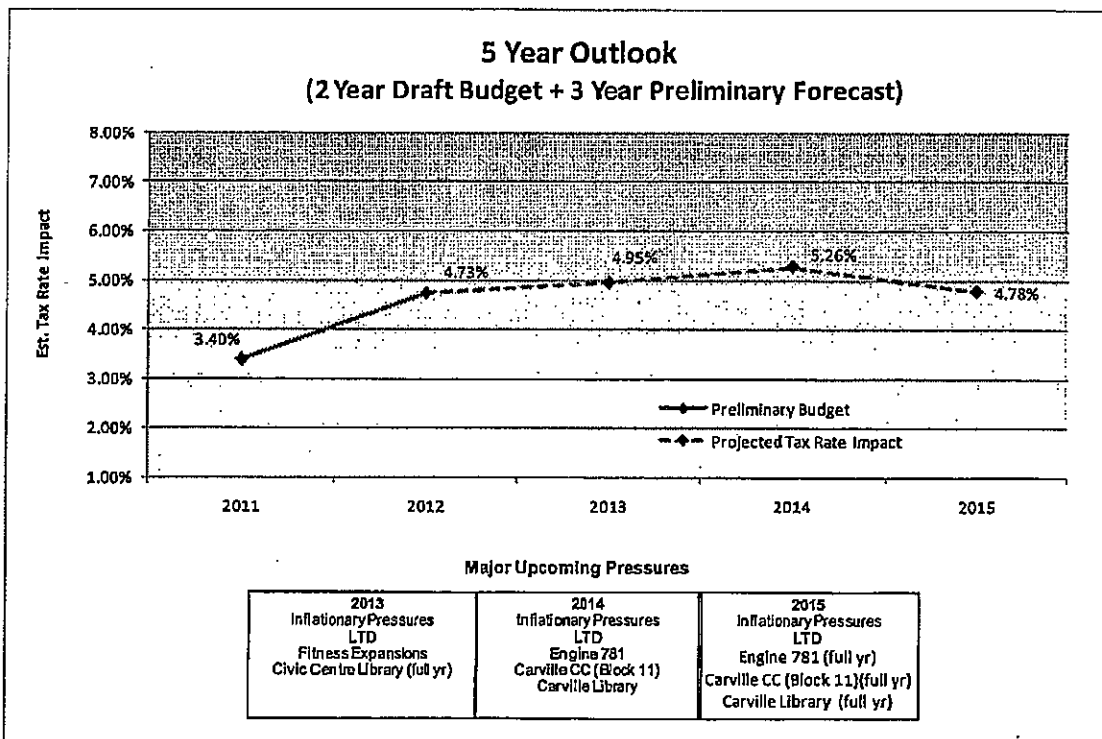
As mentioned in the opening paragraph, the City of Vaughan continues to be subjected to the many factors that put significant pressures on the property tax rate. The impacts of these pressures are often permanent and therefore require long-term funding solutions to ensure public services are sustainable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

To illustrate these pressures, a 5 year outlook is provided below, built on the draft two year budget plus a three year preliminary outlook based on general assumptions and trends. The intent of this section is to incorporate a future focus and provide decision makers and citizens with more certainty about the direction of City services, finances, and tax levels. It is also important to consider that deferring costs to the following year will only magnify the anticipated pressures; this is particularly the case for 2013-2015, which will see the addition of two libraries, the Carville Community Centre, a fire engine for station 7-8, additional parkland, etc. The City's Financial Master Plan is scheduled for mid-year 2011, which will provide greater depth on these figures, policy recommendations, and further discussion regarding the City's infrastructure.

Infrastructure Funding

The prevailing theme throughout the long-range financial planning process was that infrastructure replacement is significantly under funded and an infrastructure funding strategy is essential to begin addressing the backlog of unfunded projects and future infrastructure requirements. This challenge and funding strategies were presented to Council in prior years.

Historically, the City of Vaughan and other municipalities in Ontario were not required to budget for amortization expense based on historical costs in annual budgets, but have rather budgeted for contributions to reserves and capital expenses based on analysis of short-term and long-term replacement cost, and affordability to the taxpayer. However, recent regulation now requires that municipal staff prepare a report on the differences between contribution and amortization expenses. This difference is not incorporated in the financial outlook, but as noted in the report "Impact of Budgeting for Amortization and Post-Employment Expenses", which was provided to Council September 2010, funding these future-oriented expenses will impact tax rate and user fees.



Relationship to Vaughan Vision 2020

The Draft 2011/2012 Operating Budget is the process to allocate and approve the resources necessary to continue operations and implement Council's approved plans.

Regional Implications

There are no Regional implications associated with this report.

Conclusion

The City of Vaughan is becoming increasingly more sophisticated with each passing year and there is a need to broaden the budget horizon and unveil the future. The implementation of multi-year budgets will provide decision makers with added foresight and ability to proactively grasp future opportunities, address future challenges, and reduce blind spots by understanding the longer-term financial implications of present and past decisions. This is a very strategic approach intended to plan where the City's future resources should be focused to best support the City and generate public value.

The City has followed a very thorough process to minimize any tax increase while maintaining levels of service and meeting regulatory requirements. Very tight budget guidelines, approved by Council, were issued to all departments limiting increases to established commitments and pre-defined external pressures. In addition to the strict base budget guidelines, a number of additional resource requests were put forward by departments to maintain service levels, comply with regulatory requirements, and implement new initiatives. The Directors' Working Group and then Senior Management spent a considerable amount of time reviewing the operating base budget and prioritizing resource requests in order to develop a realistic and responsible financial plan for 2011 and 2012.

The resulting outcome of above efforts is illustrated below in the building the budget diagram.

BUILDING THE BUDGET

Components	2011		2012	
	Tax Rate Incr.	\$ (m)	Tax Rate Incr.	\$ (m)
Base Budget	1.08%	1.46	1.99%	2.84
ARR	2.32%	3.11	2.74%	3.91
<i>Subtotal</i>	3.40%	4.57	4.73%	6.75
<i>Hospital Levy</i>	1.36%	1.83	1.36%	1.94
Grand Total	4.76%	6.40	6.09%	8.69

Attachments

Attachment – 2011/2012 Operating Budget Package (Available in the Clerk's Department)

Report prepared by:

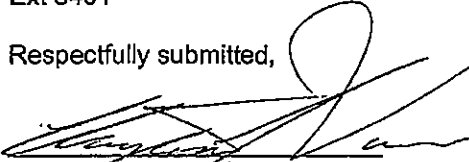
Clayton Harris, CA
City Manager
Ext. 8290

Barbara Cribbett, CMA
Commissioner of Finance/City Treasurer
Ext. 8475

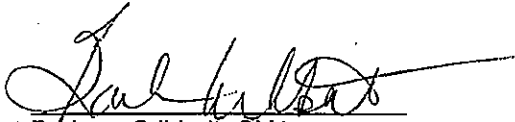
John Henry, CMA
Director of Budgeting & Financial Planning
Ext. 8348

Ursula D'Angelo, CGA
Manager, Operating Budget & Activity Costing
Ext 8401

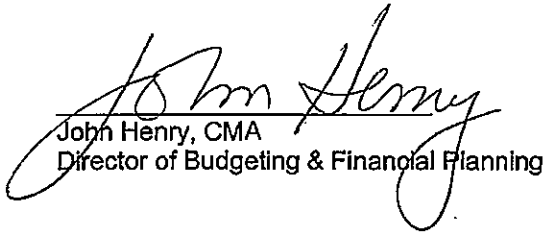
Respectfully submitted,



Clayton D. Harris, CA
City Manager



Barbara Cribbett, CMA
Commissioner of Finance/City Treasurer



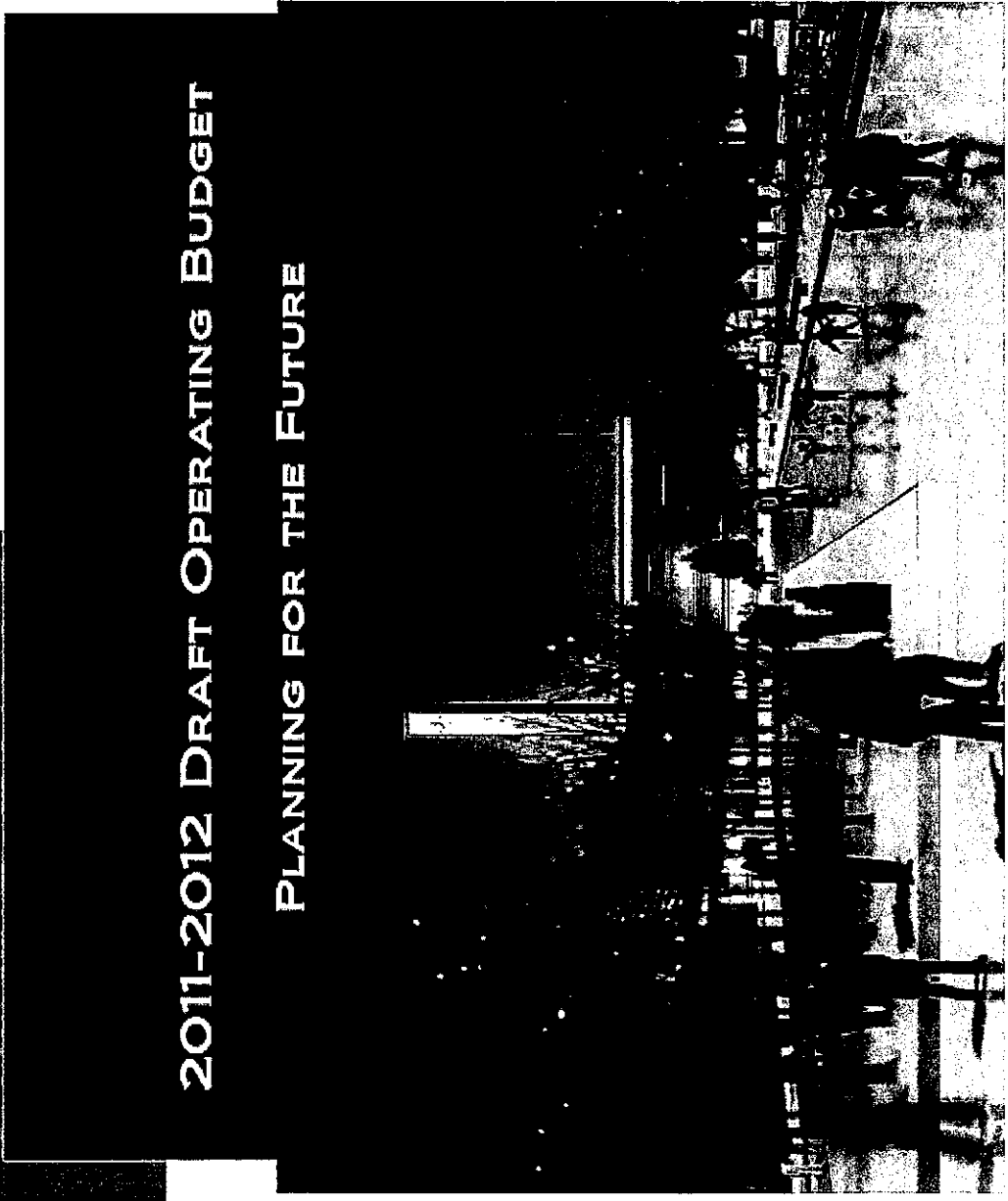
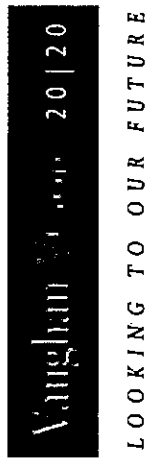
John Henry, CMA
Director of Budgeting & Financial Planning

Item 5
C2.



Finance & Administration Committee

Jan. 17th, 2011



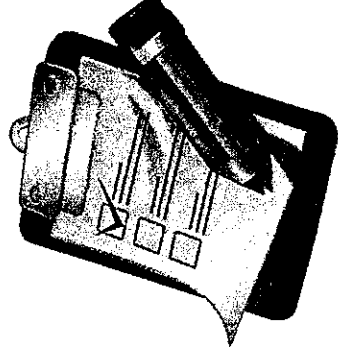
2011-2012 DRAFT OPERATING BUDGET

PLANNING FOR THE FUTURE

Financial Sustainability: A Key Priority

Today's Agenda

- Good news
- Budget approach & guidelines
- General overview
- Base budget highlights
- Department compliance
- Additional resource requests (ARR's)
- Financial Master Plan
- Summary & next steps



Good News

Vaughan received the GFOA Budget Presentation Award



Another example of Vaughan's dedication to **Management Excellence**

What is GFOA & the Award?

Government of Finance Officers Association (GFOA)

- Nonprofit international organization dedicated to management & policy development
- Serving over 17,600 financial professionals
- Strong Canadian influence

GFOA Budget Presentation Award

- Reflects commitment to the highest standards
- Based on 27 criteria covering 4 categories
 - ✓ Policy Document
 - ✓ Operational Guide
 - ✓ Financial Plan
 - ✓ Communication Devise
- Evaluated by 3 independent reviewers

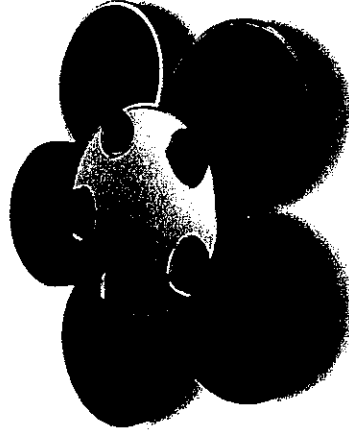
The City's Budget Approach

Managing Our Future

- Looking to the future by creating multi-year budgets
- Reinforce strategic priorities through business planning

Managing Tax Increases

- Controlling budget pressures
- User Fee Reviews to reduce the tax burden
- Strict process to evaluate funding requests
- Exploring opportunities & continuous improvement



Fostering Continuous Collaboration

- Early and continuous public participation
- Thorough multi-layered review process

Multi Year Budgeting

Purpose

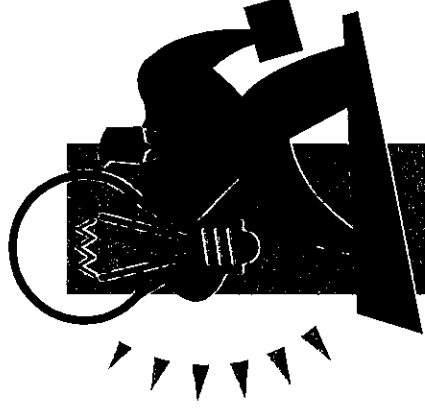
- Chart the way to financial sustainability, stability, and balance

Objective

- Approve the current year & recognize future budgets
- Ensuring decisions are resourced before moving forward
- Balancing future vs. current sustainability

Achieved

- ✓ *Greater Vision, Awareness, & Understanding*



Strict Two Step Process

- Stewardship of public funds is taken very seriously
 - Focused on containing costs and best practices
- Step 1 Base Budget** - very strict budget guidelines
- No across the board increase for inflation
 - No increase for new staffing
 - Only very specific adjustments i.e. agreements, contracts or other obligations

Step 2 Additional Resource Requests (ARRs)

- Individually vetted
- Presented separately

General Overview



(Projected)

	2010	2011	2012
Average residential assessment	\$ 459,367	\$ 472,368	\$ 485,122
Total taxes levied on the average assessed home ***	4,419	4,458	4,515
City of Vaughan portion (26-27%)	1,160	1,199	1,256
City of Vaughan tax adjustment % on total taxes		0.9%	1.3%
VHCC Capital Levy on the avg. home	22	41	42
Reduction for qualifying seniors	298	308	323
A 1% increase in the tax rate generates	\$1.26m	\$1.35m	\$1.43m
Impact of a 1% increase on the average home	\$ 11.45	\$ 11.60	\$ 12.00
Assessment growth (projected)	3.73%	3.17%	2.75%
Tax Rate Increase		3.40%	4.73%

***Increase based only on Vaughan increase



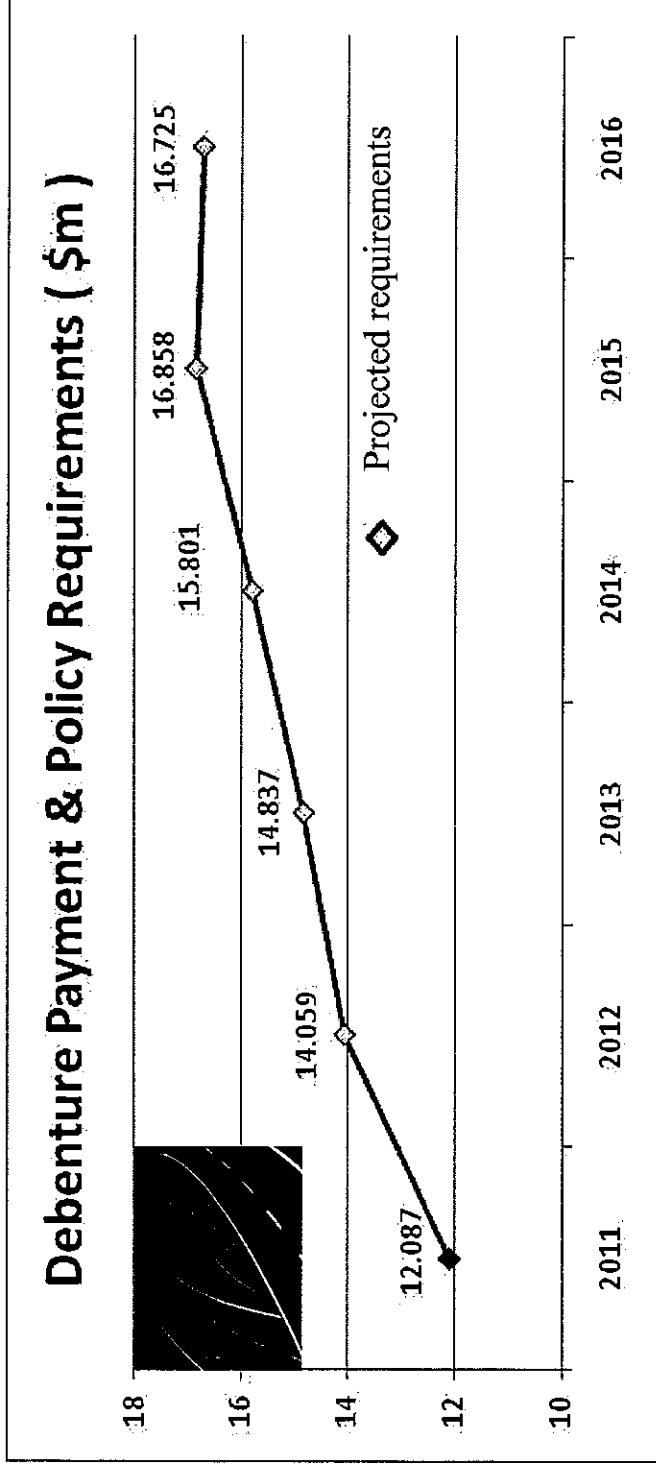
\$ impact on the avg. property tax bill

\$39.44 \$56.76

Base Budget Highlights

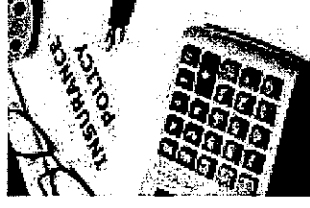
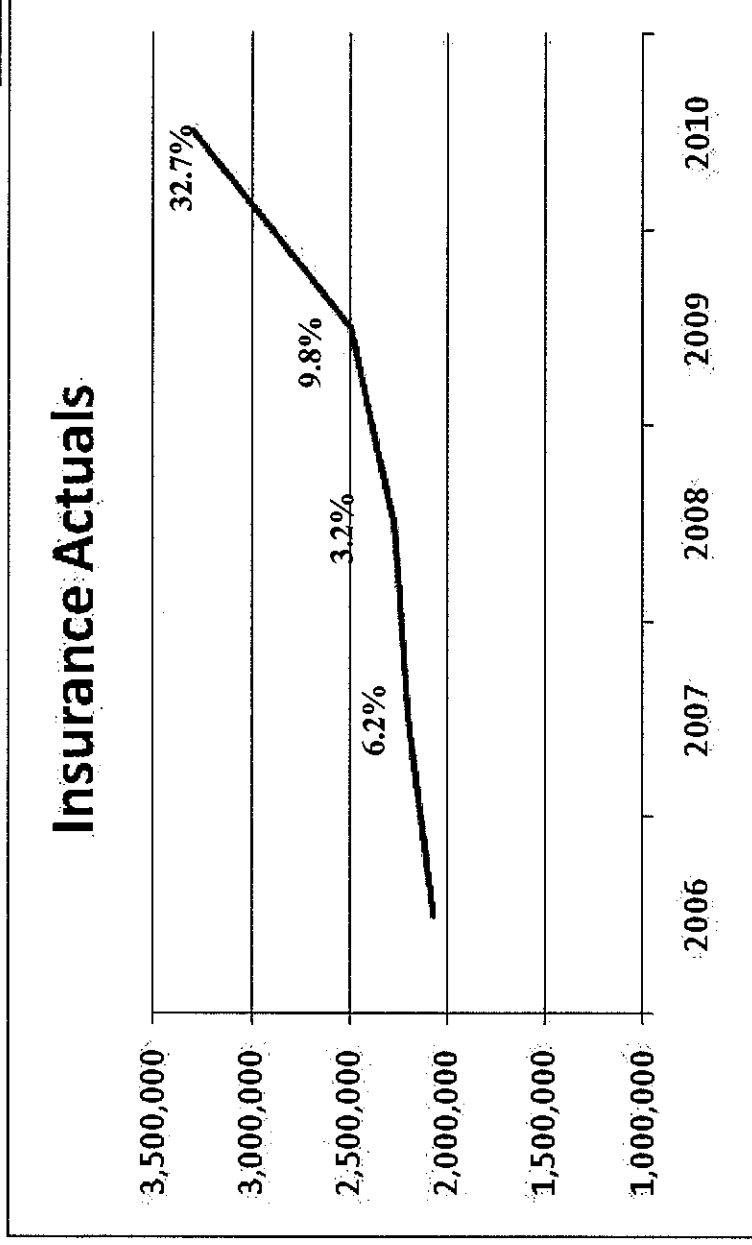
Major 2011/2012 Base Budget Adjustments	2011		2012	
	\$	Rate incr.	\$	Rate incr.
Base Budget Change	1,455,270	1.08%	2,844,372	1.99%
Less: Major Improvements & Servicing Increases				
1 Roads Program - debenture repayments	1,000,000	0.74%	1,500,000	1.05%
Infrastructure Contribution			400,000	0.28%
2 Insurance Premiums	509,000	0.38%	200,000	0.14%
Subtotal	1,509,000	1.12%	2,100,000	1.47%
Less: Unanticipated Revenue Reductions				
3 Planning Reserve	500,000	0.37%		
4 Assessment Growth - \$ decline	388,000	0.29%	390,000	0.27%
Investment Income Realignment			500,000	0.35%
Subtotal	888,000	0.66%	890,000	0.62%
Base Budget Excluding Major Adjustments	(941,730)	-0.70%	(145,628)	-0.10%

Roads Program Debentures



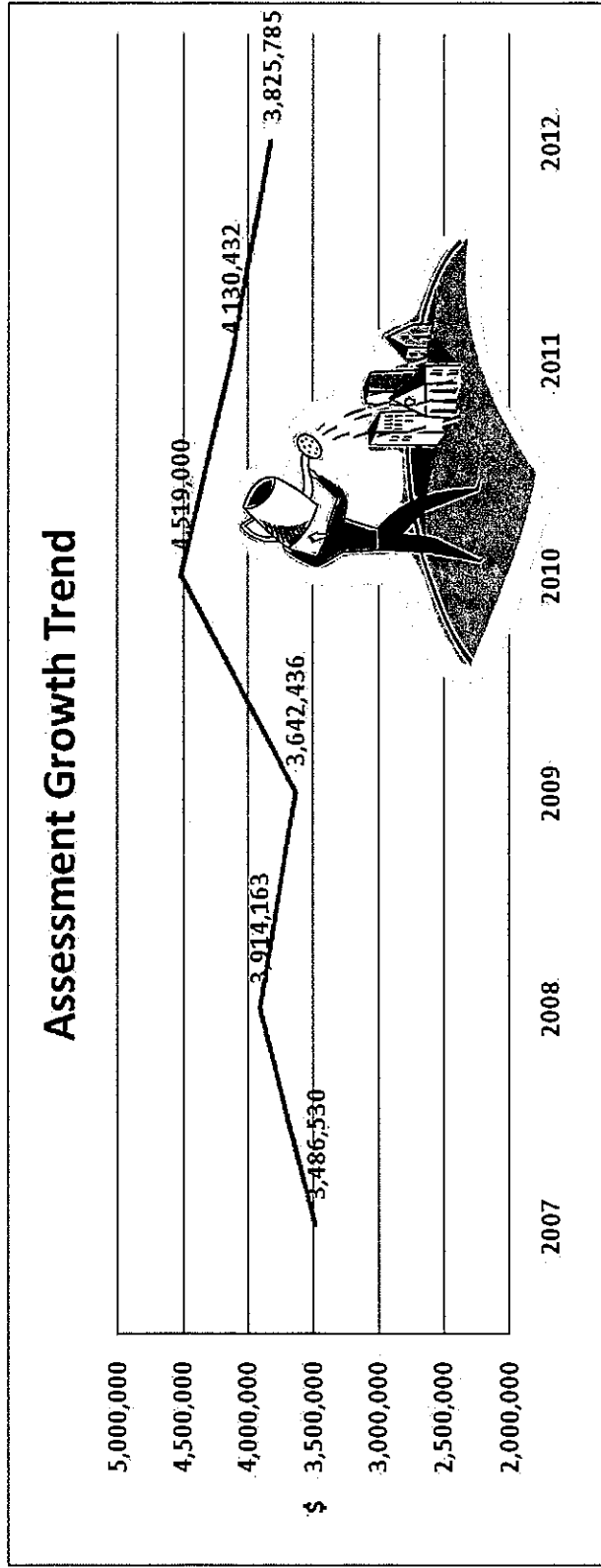
- Vaughan is a relatively young municipality
- Roads (a large asset) are coming on-line for replacement
- Anticipating cost escalation up to 2015/2016

Insurance Trends



- Due to increases in facilities, shared programs, & premiums
- Policy & premium review conducted summer 2010

Assessment Growth Trend



Year	Growth %	Growth \$
2007	3.41%	3,486,530
2008	3.70%	3,914,163
2009	3.19%	3,642,436
2010	3.73%	4,519,000
2011	3.17%	4,130,432
2012	2.75%	3,825,785

Growth Item	2011	2012
Road Km	19	18
Sidewalk Km	9.5	9.6
Waste/recycling stops	3300	3300
Streetlights	480	489
Parkland Ha	9	30
Trail Ha	2	3
New City Hall	1	1
Fire Engines	1	1

CPI vs. Municipal Taxes

Vaughan's Municipal Price Index (MPI)

Component	% of Budget	Inflation Figure	Source	Weighted Average
Salaries and Benefits	54.0%	3.0%	Ministry of Labour - April 2010	1.6%
Contracts and Materials	19.0%	6.5%	Average Historical Increase (budget)	1.2%
Utilities and Fuel	3.0%	6.7%	Stat's Can. Nov. 2010 - Energy CPI	0.2%
Capital Funding	8.0%	1.2%	Construction Price Index - Sept.	0.1%
All Other	16.0%	1.4%	Core Inflation - Nov. 2010	0.2%
	100.0%			3.4%
Assessment Growth =				3.176%

CPI = price increases in an avg. household

***There is not a strong relationship between
CPI and municipal budget increases***



Department Guideline Compliance

Dept. Expenses per Guidelines	2011 Budget Change			2012 Budget Change		
	\$	%	Tax Rate	\$	%	Tax Rate
Labour Costs						
<u>Volume related adjustments</u>						
-Gapping 2010 complements	80,000					
-Animal control reallocation	649,000					
-FY Impact Fire Hall 7-10	375,000					
<u>Rate based adjustments</u>						
-Fire retention, prog., & agreement	1,079,300			691,503	3.3%	3.12%
-Library market & econ. adj.	647,000			472,720		
-Other City Cupe, & Mgmt agreements	2,184,820			2,815,916		
-Other City prog./job evals	295,024			484,445		
	5,310,144	4.2%	3.95%	4,464,584	3.3%	3.12%
	774,019	1.4%	0.58%	1,031,329	3.2%	0.72%
Contractual Obligations						
Utilities						
	161,483	2.1%	0.12%	468,326	6.0%	0.33%
Insurance						
Dept. insurance allocations	367,085	19.1%	0.27%	144,805	6.3%	0.10%
Insurance premium & deductible *	507,000	19.1%	0.38%	200,000	6.3%	0.14%
*neutral impact by resv. offset						
Other Items						
	(588,749)	-2.0%	-0.44%	228,928	1.5%	0.16%
Dept. Exp. Change	6,530,982	3.6%	4.85%	6,537,972	3.5%	4.57%
Dept. Fee & Service Charges	770,477	2.3%	0.57%	446,748	1.3%	0.31%
Net Dept. Change (Excl Resv.Trfrs)	5,760,505		4.28%	6,091,224		4.26%

Corp. Budget Adjustments



Corporate Expenditures									
Long Term Debt **							1,971,427	16.3%	1.38%
Contingency							804,509	51.6%	0.56%
General Corp Elections							(967,000)	-8.9%	-0.68%
Total Corporate Expenditure Change							1,808,936	6.6%	1.27%
Corporate Revenues									
Supplemental Taxation							0	0.0%	
Debtenture Payment Reserve **							521,427	20.0%	0.36%
Build. Std Continuity Reserve							600,000	92.3%	0.42%
Insurance Reserve							200,000	6.3%	0.14%
Finance from Capital							150,000	11.1%	0.10%
Water & Wastewater Recovery							100,000	4.5%	0.07%
Election Reserve							0	0.0%	0.00%
Planning Reserve							0	0.0%	0.00%
Winterization Reserve Phase Out							0	0.0%	0.00%
Engineering Reserve							100,000	2.4%	0.07%
Other Reserve Withdrawals							52,961	1.2%	0.04%
Provincial Offenses Act (POA)							0	0	0.00%
Investment Income							(500,000)	-13.3%	-0.35%
Other Corporate Revenue							5,615	-2.9%	0.00%
Total Corporate Revenue Change							1,230,003	2.9%	0.86%
Net Corporate Impact							578,933	4.8%	0.41%

Budget Savings Initiatives

Budget Saving Initiatives

- Utilizing in-house staff for professional engagements \$140k
- Improved energy conservation efforts \$300k
- Efficiencies in ITM communication contracts \$75k
- Utilizing contingent funds to phase in the partial impact of fire retention \$300k

Sub -Total

\$815k



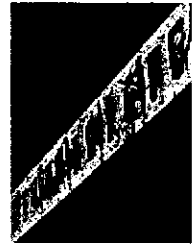
In addition

- A number of self funding ARR's
- Proposed User Fee & Service Charge increases (\$313k/\$112k)

Degree of Budget Structure Flexibility

Operating Expenditures	2011		2012	
	Base Budget (\$)	Total Budget % of	Base Budget (\$)	% of Total Budget
Salaries and Benefits	119,829,743	55.9%	123,794,327	55.6%
Service Contracts	31,135,217	14.5%	32,128,024	14.4%
Long Term Debt	11,646,528	5.4%	13,476,518	6.1%
Reserve Contributions	10,766,379	5.0%	10,657,816	4.8%
Maintenance/Materials	8,448,652	3.9%	8,518,636	3.8%
Utilities & Fuel	7,966,337	3.7%	8,436,977	3.8%
Capital from Taxation	6,629,522	3.1%	6,629,522	3.0%
Insurance Expenses	3,147,000	1.5%	3,347,000	1.5%
Professional Fees (Incl. OMB)	2,275,982	1.1%	2,276,985	1.0%
Contingency	1,559,066	0.7%	2,363,575	1.1%
Sundry	1,400,000	0.7%	1,450,000	0.7%
All Other	9,465,875	4.4%	9,537,829	4.3%
Total Base Budget Expenditures	214,270,301	100.0%	222,617,209	100.0%
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*** More than 75% of the costs are committed**



Consideration of Additional Resource Requests



Additional Resource Requests (ARRs)

Dept. Submitted

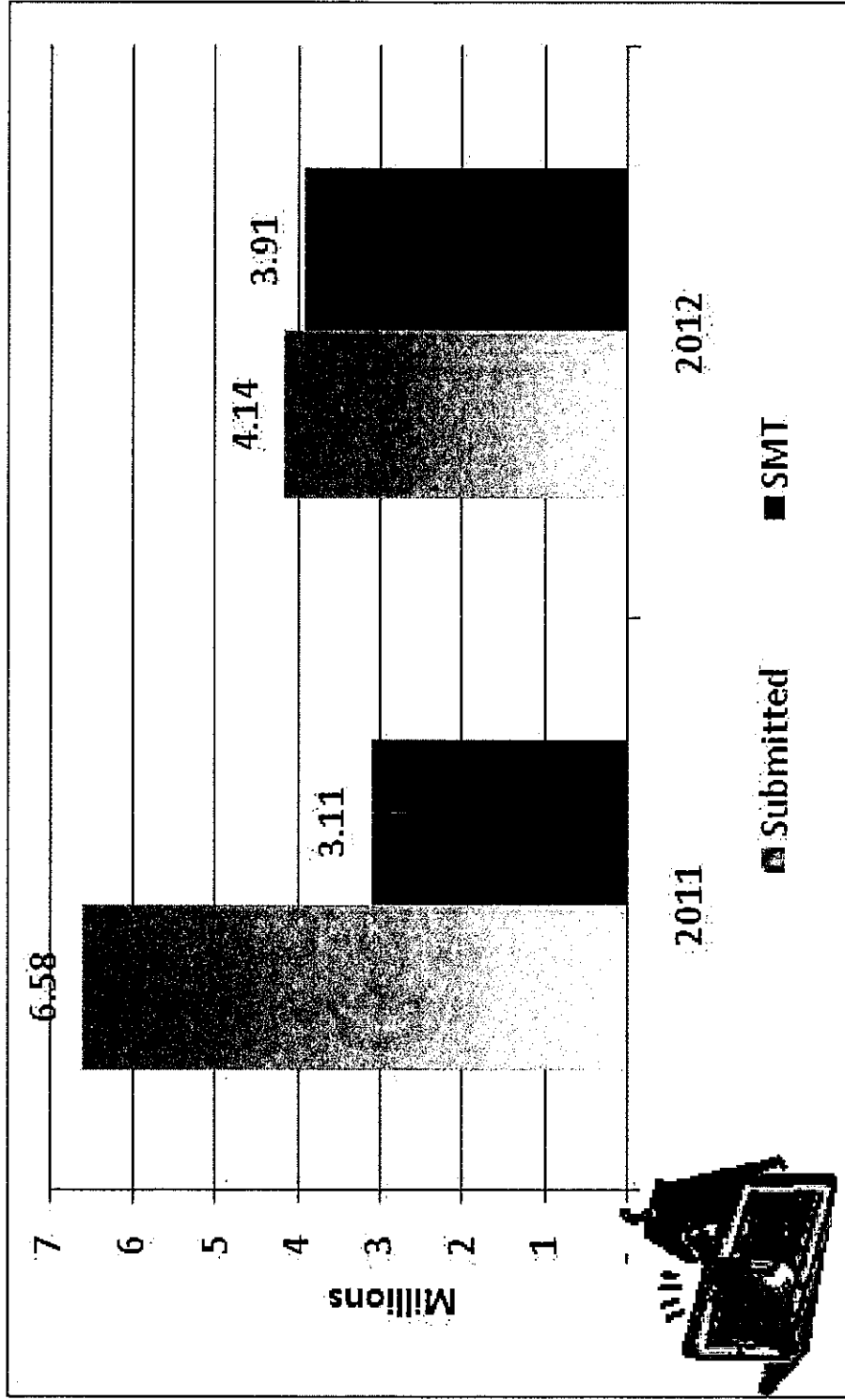
- 90+ requests totalling a combined \$10.7m
- All funding requests submitted have merit
- More than 75% are growth related



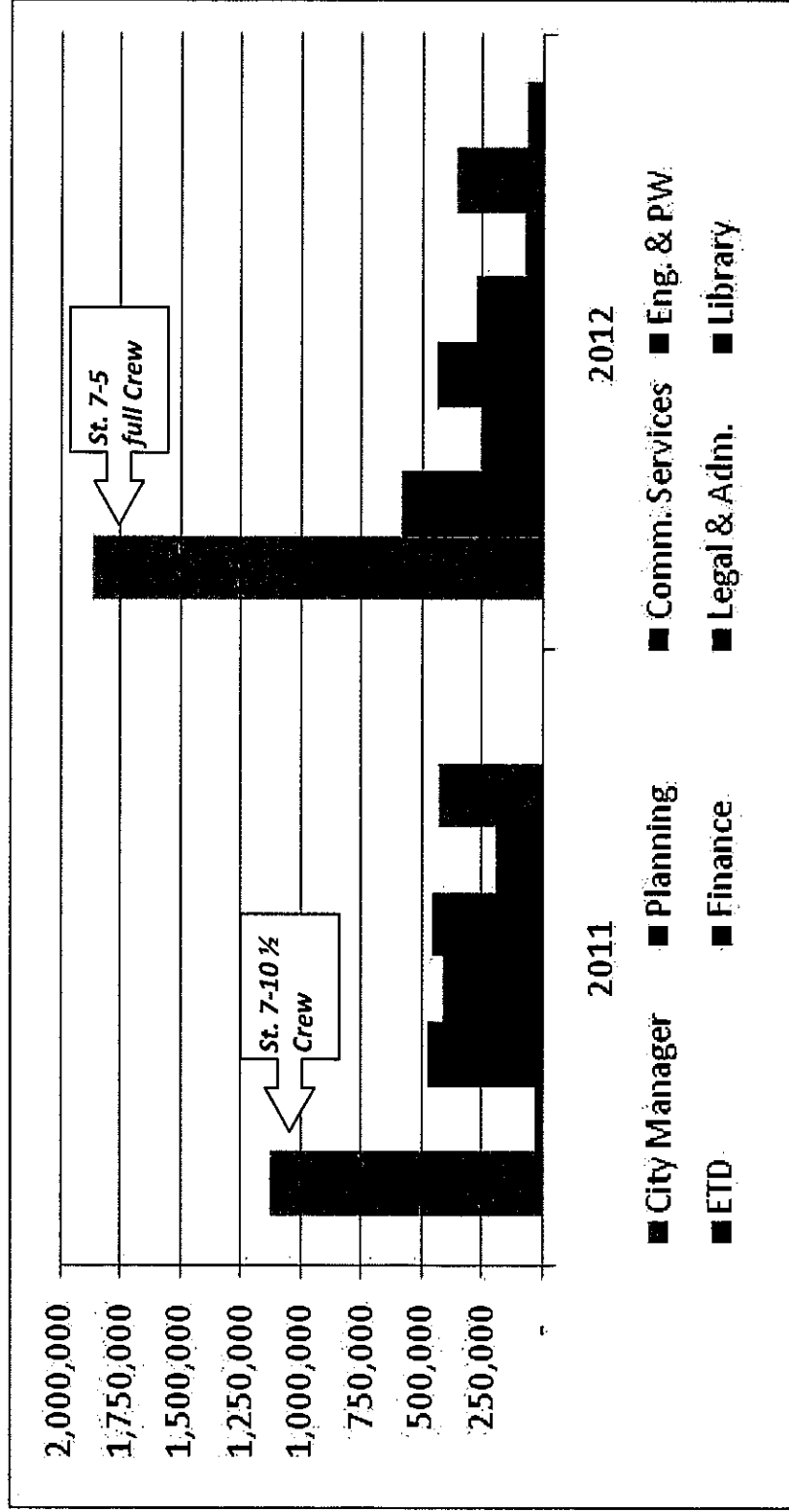
SMT/Directors Working Group

- ARR's must be prioritized and ranked
- Significant time spent reviewing and optimizing
- Some deferred to future years without guarantee
- 2011 Recommended & 2012 Recognized

Submission vs. SMT Review



Summary by Commission



2011 SMT Recommended ARRs

#	Department	Description	# of Positions	2011 Net FTE	2011 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
2011 Base Budget Increase								
Zero Budget Impact								
A1	Building Standards	1 Plans Examiner (Zoning)	1	1.00	-	-	0.00%	1.08%
A2	Building Standards	1 Clerk Typist D	1	1.00	-	-	0.00%	1.08%
A3	City Financial Services	Finance Business / Project Manager	1	1.00	-	-	0.00%	1.08%
A4	Dev./Transp.Eng.	Municipal Services Inspect.Erosion Sediment C	1	1.00	-	-	0.00%	1.08%
A5	Dev./Transp.Eng.	Spadina Subway TTC Sr. Eng. Asst. (Contract	1	1.00	-	-	0.00%	1.08%
A6	Engineering Services	Municipal Services Inspector	1	1.00	-	-	0.00%	1.08%
A7	✓ Enviro. Sustain.	Sustainability Coordinator (Contract Conv.)	1	-	-	-	0.00%	1.08%
A8	Fleet	Filing Clerk (FT Conv.)	1	0.31	-	-	0.00%	1.08%
Budget Impact - In alphabetical order - not prioritized order								
1	Access Vaughan	Citizen Service Representatives	2	1.38	93,388	93,388	0.07%	1.15%
2	✓ Budgeting & FP	Budget Analyst	1	1.00	100,788	194,176	0.07%	1.23%
3	Buildings & Facilities	Mechanical Supervisor	1	1.00	110,945	305,122	0.08%	1.31%
4	Corporate Comm	Public relations staff	1	1.00	83,249	388,371	0.06%	1.37%
5	Development Planning	Urban Design Awards Program	-	-	30,000	418,371	0.02%	1.39%
6	✓ Eco. Dev	Research Coordinator	1	1.00	75,473	493,844	0.06%	1.45%
7	Enforcement Services	Licensing Enforcement Field Officer	1	1.00	39,493	533,338	0.03%	1.48%
8	Enforcement Services	Property Standards Officer	1	1.00	86,988	620,326	0.06%	1.54%
9	Engineering Services	Manager of Traffic Engineering	1	1.00	125,527	745,854	0.09%	1.64%
10	Engineering Services	Administrative Assistant	1	1.00	75,348	821,201	0.06%	1.69%

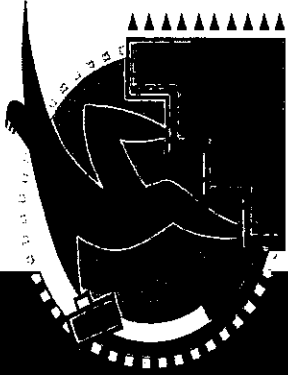
2011 SMT Recommended ARRs (Continued)

#	Note 1	Department	Description	# of Positions	2011 Net FTE	2011 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
11	✓	Fire & Rescue Services	7-10 Engine Crew (6 FF & 4 Cap)	10	10.00	959,746	1,780,948	0.71%	2.41%
12		Fire & Rescue Services	Mechanic - Emergency Vehicle Technician	1	1.00	56,674	1,837,621	0.04%	2.45%
13	✓	Human Resources	Prof. Fees - Engagement Survey	-	-	50,000	1,887,621	0.04%	2.49%
14		Human Resources	Crossing Guard Coordinator (FT Conv.)	1	0.50	45,312	1,932,933	0.03%	2.52%
15	✓	Human Resources	Learning & Dev. Specialist	1	1.00	89,375	2,022,308	0.07%	2.59%
16	✓	Human Resources	Recognition Awards	-	-	15,000	2,037,308	0.01%	2.60%
17		Info & Tech. Management	ITM Security Analyst	1	1.00	99,888	2,137,196	0.07%	2.67%
18		Info & Tech. Management	Enterprise Data Architect	1	1.00	99,888	2,237,085	0.07%	2.75%
19	✓	Legal Services	Junior Lawyer OMB Contract	1	1.00	30,444	2,267,528	0.02%	2.77%
20		Legal Services	Law Clerk	1	1.00	67,885	2,335,413	0.05%	2.82%
21		Parks Ops	2 Park Attendants	2	2.00	45,210	2,380,623	0.03%	2.85%
22		Parks Ops	Assistant Foreperson (Horticulture)	1	1.00	97,788	2,478,411	0.07%	2.92%
23		Parks Ops	2 Temp Seasonal Employees	2	1.67	70,534	2,548,945	0.05%	2.98%
24		Purchasing Services	Buyer	1	1.00	87,861	2,636,806	0.07%	3.04%
25		PW / Roads	Roads Supervisor	1	1.00	108,545	2,745,351	0.08%	3.12%
26		PW / Roads	Sign Crew (2 Equipment Operators)	2	2.00	104,393	2,849,745	0.08%	3.20%
27		Recreation Culture	Vellore CC Fitness Centre Staff (Gapped)	2	0.17	14,471	2,864,215	0.01%	3.21%
28	✓	Recreation Culture	Diversity & Inclusivity Comm. Program	-	-	50,000	2,914,215	0.04%	3.25%
29		Recreation Culture	Special Events Coordinator	1	1.00	88,599	3,002,815	0.07%	3.31%
30	✓	Strategic Planning	Vision 2020 Strategic Plan Update	-	-	35,000	3,037,815	0.03%	3.34%
31	✓	Strategic Planning	On-Line Citizen Engagement Survey	-	-	75,000	3,112,815	0.06%	3.40%
Total of ARRs Recommended by Senior Management Team				47	42.03	3,112,815		2.32%	

2012 SMT Recognized ARRs

#	Department	Description	# of Positions	2012 Net FTE	2012 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
2012 Base Budget Increase								
Zero Budget Impact								
A1	Dev. Transp. Eng.	TDM Coordinator	1	1.00	-	-	0.00%	1.99%
A2	Dev./ Transp. Eng.	TTC Muni. Inspector Contract Position	1	1.00	-	-	0.00%	1.99%
A3	Engineering Services	Project Manager	1	1.00	-	-	0.00%	1.99%
A4	Engineering Services	Capital Design Team	2	2.00	-	-	0.00%	1.99%
Budget Impact - In alphabetical order - not prioritized order								
1	Access Vaughan	Citizen Service Representatives	2	1.38	96,743	96,743	0.07%	2.06%
2	Buildings & Facilities	Vellore CC FC Facility Operator I-	1	1.00	68,039	164,781	0.05%	2.11%
3	Corporate Comm	Web Content Mgmt Position	1	1.00	87,591	252,372	0.06%	2.17%
4	Dev. Planning	Zoning By-law Review Contract Staff	6	6.00	579,480	831,852	0.41%	2.57%
5	Dev. Transp. Eng.	Clerical Assistant	1	1.00	47,737	879,589	0.03%	2.61%
6	Eco. Dev	Business Development Officer	1	1.00	87,573	967,162	0.06%	2.67%
7	Enforcement Services	Property Standards Officer	1	1.00	90,476	1,057,637	0.06%	2.73%
8	Engineering Services	Traffic Analyst	1	1.00	84,862	1,142,500	0.06%	2.79%
9	Engineering Services	Traffic Technician	1	1.00	58,487	1,200,986	0.04%	2.83%
10	Fire & Rescue Services	Communication Operators	2	2.00	154,761	1,355,748	0.11%	2.94%
11	Fire Services	Station 75 - Engine Crew (16 FF & 4 Cap)	20	20.00	1,711,015	3,066,762	1.20%	4.14%
12	Human Resources	HR Partner	1	1.00	103,341	3,170,104	0.07%	4.21%
13	Human Resources	Learning/Dev. Specialist & Coordinator	2	2.00	165,436	3,335,539	0.12%	4.32%
14	Library	E-Media Pilot Specialist (Cont.) gapped	1	0.50	34,955	3,370,494	0.02%	4.35%
15	Library	Resource Purchasing Power Protection		-	32,120	3,402,614	0.02%	4.37%
16	Parks Ops	Temp Seasonal Employees	2	1.67	35,267	3,437,881	0.02%	4.40%
17	Parks Ops	GPS - Sidewalk Snow Plow Machines		-	42,723	3,480,604	0.03%	4.42%
18	Purchasing Services	Sr. Technical Position	1	1.00	71,453	3,552,057	0.05%	4.47%
19	PW/Roads	Micro Milling		-	250,000	3,802,057	0.17%	4.65%
20	Recreation Culture	Special Events Supervisor	1	1.00	110,491	3,912,549	0.08%	4.73%
Total of ARRs Recognized by Senior Management Team			50	48.55	3,912,549		2.74%	

Building The Budget

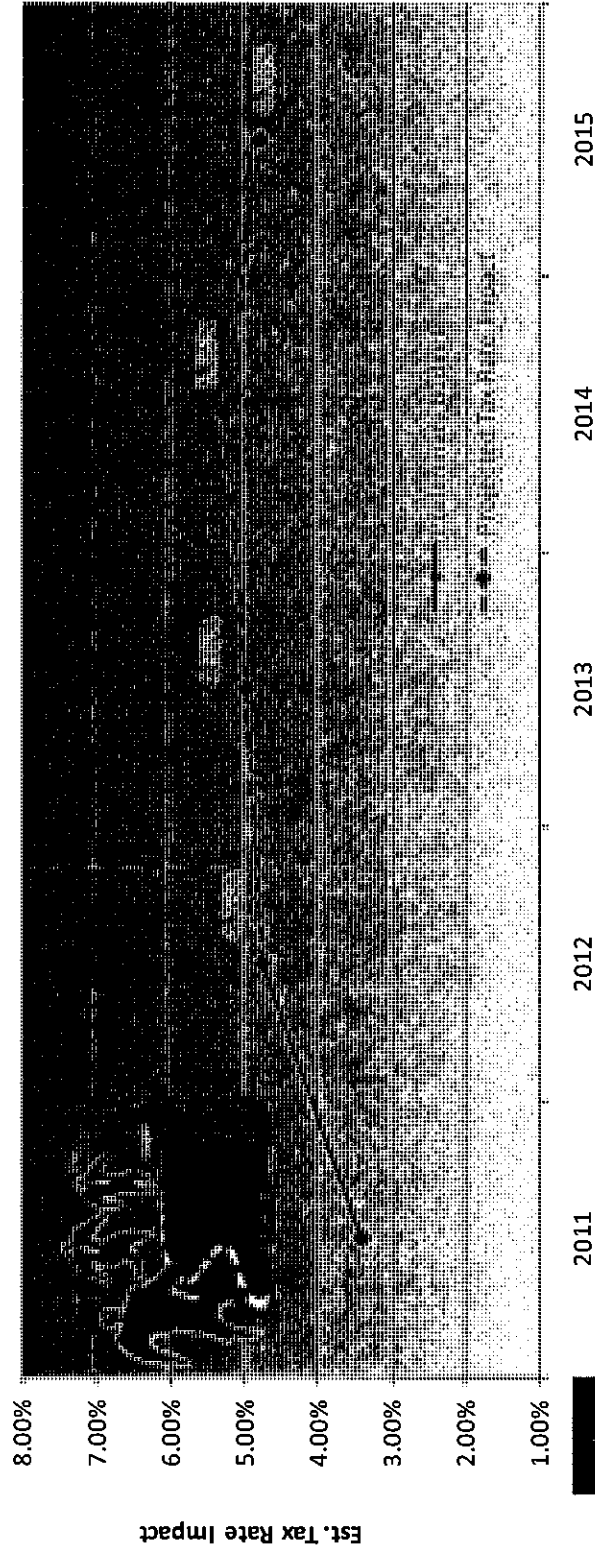


Components	2011		2012	
	Tax Rate Incr.	\$ (m)	Tax Rate Incr.	\$ (m)
Base Budget	1.08%	1.46	1.99%	2.84
ARR	2.32%	3.11	2.74%	3.91
Subtotal	3.40%	4.57	4.73%	6.75
Hospital Levy	1.36%	1.83	1.36%	1.94
Grand Total	4.76%	6.40	6.09%	8.69
City % incr. on Tax Bill	0.9%		1.3%	

Note – 2010 tax incr. 2.65% + .69% Hospital tax levy = 3.34%

Looking to the Future

5 Year Outlook (2 Year Draft Budget + 3 Year Preliminary Forecast)



Major Upcoming Pressures

Year	Major Upcoming Pressures
2013	Inflationary Pressures LTD Fitness Expansions Civic Centre Library (full yr)
2014	Inflationary Pressures LTD Engine 781 Carville CC (Block 11) Carville Library
2015	Inflationary Pressures LTD Engine 781 (full yr) Carville CC (Block 11)(full yr) Carville Library (full yr)

Financial Master Plan

- Interconnects various financial components
- A strategic approach to governance
 - A financial reality check to strategy and decision making
 - Ensuring decisions are resourced before moving forward
 - Balancing future vs. current sustainability
- It's more than a forecast. It's a decision making tool
- Provides awareness of the issues and generates alignment to the goals



Financial Master Plan Timeline

Phase 1 – Current

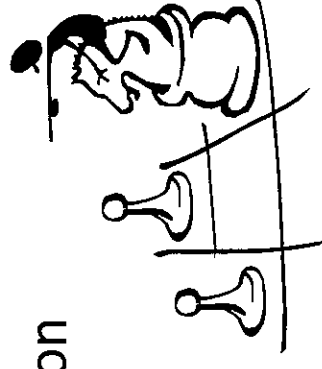
- Master Plan development/refinement continued
- Early Action #1 – Multi-year budgets
- Early Action #2 - improved financial & service level information

Phase 2 –2011 Q2

- FMP Report (financial plan outcomes/gap analysis/recommendations)

Phase 3 –2011 Q2 to 2012 Q2

- 3 year budget
- Process & policy implementation
- Decision making and financial strategy formulation

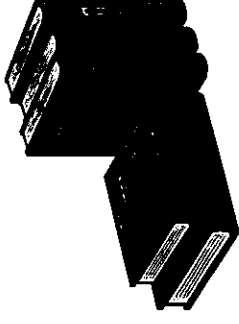


Phase 4 –2012 Q4

- 4 year budget
- Components of Financial Master Plan complete

Information Provided

2011/2012 Budget Attachment



Front section

- Financial summary
- Major impact analysis
- ARR lists
- Performance measures

Department Information section

- Organized by Commission/Department
- 2 year financial summary
 - Incorporates a 2010 actual forecast for reference
 - Summarized by revenue/ labour /non labour
- Business Plan
- Each Individual ARRs – (recommended/recognized only)

Next Steps

- Finalize additional meeting dates
- Adjustments to user fees
- HST budget realignment – no overall impact
- Infrastructure funding vs. amortization
- Capital Budget
- Public Forum & Chamber of Commerce update



2011 & 2012 Draft Operating Budget

Discussion



Q & A

