

DRAFT 2011/2012 OPERATING BUDGET

Recommendation

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

- 1) That due to the December 14, 2010 Council-approved economic adjustment and the resulting additional time required to properly re-allocate Department budgets, this report be received as an introduction for the January 17, 2011 Finance and Administration Committee agenda item; and
- 2) That a comprehensive budget report be provided in advance of the January 17, 2011 Finance & Administration Committee meeting.

Contribution to Sustainability

Sustainability by definition focuses on the ability to maintain a function over a period of time. Responsible budgeting allocates resources in a responsible way to sustain the City's operations and aspirations, balancing both current and future requirements.

The approach to the operating budget seeks to minimize the current year requirements, while meeting the requirements of sustainability. Specific principles included in the 2011 Operating Budget Guidelines approved by Council include:

- i) Managing our future, multi-year planning – A Strategic Future Focus
- ii) Managing tax increases through strict guidelines – No “across the board increases”
- iii) Fostering continuous collaboration and public engagement

Collectively, these principles have aided in developing realistic and responsible financial plans

Economic Impact

The economic impact will be provided in the report to be distributed the week of January 10, 2011.

Communications Plan

Not Applicable

Purpose

The purpose of this report is to act as an introduction for a more detailed report on the Draft 2011/2012 Operating Budget to be distributed the week of January 10, 2011.

Background - Analysis and Options

On December 14th, 2010, Council approved economic adjustments for non-union employees. To ensure all department budgets accurately reflect these adjustments/re-allocations, as well as to prevent and minimize confusion typically generated by multiple budget versions, additional time is required to prepare the detailed budget document. This report serves as an introduction for the January 17, 2011 Finance and Administration Committee Operating Budget agenda item. A more comprehensive report will be distributed through the Clerk's office during the week of January 10, 2011. Below are general highlights of the 2011/2012 Operating Budget item framework.

Financial Sustainability a Key Priority

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; the City has provided residents with value by providing high quality services to the community, while maintaining one of the lowest property tax rates in the Greater Toronto Area.

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 fueled 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 (e.g. inflation, growth, collective agreements, contract escalation costs, fluctuating revenues, etc.). These pressures are permanent and often require continuous funding solutions, often taxation.

Planning for the Future

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. For several years, the City's rigorous budgetary process has focused on containing costs and implementing best practices, with the goal of developing realistic and responsible financial plans. The City has received the Distinguished Budgeting Award from the Government Financial Officers Association (GFOA), an international association focused on municipal finance and best practices.

This year's Budget guidelines continue to build on those core values and successful business practices. 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. The Operating Budget guidelines were adopted by the Budget Committee on June 14th, 2010 and consist of the following principles and actions:

Managing Our Future

1. Looking to the future by creating multi-year budgets
2. Reinforce strategic priorities through the business planning and process

This strategic action provides decision makers with future foresight and ability to proactively identify future opportunities, address future challenges, and improve decision making by understanding the longer-term financial implications of decisions.

Managing Tax Increases

3. Controlling budget pressures
4. User Fee Reviews to Reduce the tax burden
5. Strict process to evaluate funding requests
6. Zero impact adjustments
7. Exploring opportunities & continuous improvement

The objective of these actions is to provide the lowest possible tax increase while maintaining the City's service levels. Under these actions, departments are only permitted very specific increases. There is no "across the board" inflationary increase.

Fostering Continuous Collaboration

8. Early and continuous public participation
9. Thorough multi-layered review process

Collaboration and engagement is essential to validate the needs of the community and balance them within available resources

Base Budget

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

Additional Resource Requests (ARR)

To the extent that a department requires additional resources, a separate business case must be submitted for consideration. These include staff and non-staff related requests. These are referred to as Additional Resource Requests (ARR) and are individually vetted through a Director's Working Group, the Senior Management Team, the Finance and Administration Committee and finally Council. Initially, there were over 90 ARR's submitted for 2011 and 2012 reviewed and prioritized by the Director's Working Group and the Senior Management Team over 10 meetings collectively.

The approach, guidelines and actions recommended represent prudent management practices and are appropriate given the demand for services are increasing at the same time the community is experiencing a modest economic recovery. The objective of separating the process into the base budget and additional resource requests is to clearly identify and vet each individual resource request that comes forward.

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 and 2012 Operating Budget, the further detailed report will review the budget in the following components.

- Base budget under the Council guidelines
- Base budget revenue review
- Base budget expenditure review and analysis
- Review additional resource requests
- Future outlook

Community Engagement

Public consultation and input are important elements of the budget process and essential to validate the needs of the community and balance them within available resources. Throughout the budget process a number of public input opportunities will be provided using a variety of public engagement activities. These are further expanded below.

- **Early Public Engagement** - Through on-line and public forums, the City of Vaughan is engaging the community and requesting public participation. A Public Budget Forum will be

held to educate and inform residents regarding the City's budget and obtain input and feedback. Similarly, a budget overview will also be presented to the Chamber of Commerce to inform and engage chamber members. These forums are slated to occur late January to early February, depending on Council availability. In the interest of obtaining maximum community feedback, the forum content will be placed on the City's website for citizens to view and provide their input.

- **Continuous Opportunity for Input** – Throughout the budget process, multiple Finance and Administration Committees (4-8) will be held and are open to the public. Input on the budget is received throughout the process and considered during budget deliberations. In addition to the above, the City hosts other committees and consultation activities, which incorporate significant public engagement. Although separate processes, public feedback obtained at these events will migrate into the budget decision making process.
- **Final Approval** – In addition to the above, a Special Council meeting will be scheduled before budget approval to provide the public with a final opportunity to comment on the 2011/2012 Operating Budget. This meeting will be advertised in advance and consistent with the City's public notification by-law.

Following approval of the budget, the appropriate media releases will be distributed per City policy. The media releases will articulate the strong management practices and oversight the City currently has in place to provide residents with value for their property tax dollar. Key information will also be provided on the City's website to key stakeholders.

Relationship to Vaughan Vision 2020/Strategic Plan

The Budget once finalized will fund Council priorities.

Regional Implications

There are no Regional implications associated with this report

Conclusion

On December 14th, 2010, Council approved economic adjustments for non-union employees and information related to this adjustment was received shortly before the 2010 holiday closure. To ensure all department budgets accurately incorporate these adjustments, additional time is required to prepare and analyze accordingly. The additional time necessary to incorporate the adjustments will also minimize confusion typically generated by multiple budget versions. This report serves as an introduction for the January 17, 2011 Finance and Administration Committee Operating Budget agenda item. A more comprehensive report will be distributed through the Clerk's office during the week of January 10, 2011. Below are general highlights of the 2011/2012 Operating Budget item framework.

- *Financial Sustainability a Key Priority,*
- *Planning for the Future*
- *Operating Budget Guidelines and Review Process*
- *Community Engagement*

The resulting outcome of above efforts will be provided in the detailed report distributed the week of January 10, 2011.

Attachments

N/A

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Respectfully submitted,

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