

DRAFT 2011/2012 OPERATING BUDGET UPDATE BASED ON THE MARCH 21ST FINANCE AND ADMINISTRATION COMMITTEE RECOMMENDATIONS AND ALTERNATIVES TO FURTHER REDUCE THE BUDGET

Recommendation

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

- 1) That the following update on the Draft 2011/2012 Operating Budget and associated additional resource requests, based on the March 21st Finance and Administration Committee direction, be received for information and discussion purposes;
- 2) That subject to amendments by the Finance & Administration Committee to the 2011 Additional Resource Requests, the Proposed 2011 Operating Budget be recommended to Council for adoption at the April 5, 2011 Special Council Meeting.

Economic Impact

As a result of the March 21st discussion, the Finance and Administration Committee recommended a number of adjustments to Senior Management Team's (SMT) recommended additional resource requests. These adjustments reduced the overall Draft 2011 Operating Budget's 3.40% tax rate increase, approximately \$39 a year for the average home, to a 2.75% tax rate increase, approximately \$32 a year for the average home.

Although this action resulted in a 2011 budget reduction, a number of the adjustments relate to gapping or deferring requests, which will have an impact on the Draft 2012 Operating Budget. As a result, the Draft 2012 Operating Budget tax rate increase was adjusted by 0.61% from 4.73% to 5.34% or approximately \$64 for the average home.

Communications Plan

A statutory public meeting with appropriate notice is required before adopting the Budget. This meeting is scheduled for April 5th at 7:00pm and will be advertised according to City policy.

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

Purpose

This report is intended to provide the Finance and Administration Committee with a Draft 2011/2012 Operating Budget Summary and adjusted additional resource request lists, based on the recommendations provided by the Finance and Administration Committee on March 21st.

Background – Analysis and Options

Finance and Administration Committee Direction

On March 21st, 2011, the Finance and Administration Committee deliberated on the previously presented Senior Management Team's (SMT) recommended 2011 additional resource requests. The SMT recommendation, including the predetermined base budget increase, represented a tax rate increase of 3.40%, or \$39.44 for the average home in Vaughan. As a result of the discussion,

the Finance and Administration Committee recommended the following adjustments to Senior Management Team's (SMT) recommended 2011 additional resource requests:

1. Reduce request #1: Vision 2020 Strategic Plan Update by \$20,000 and present other options on the design and publication of the revised strategic plan.
2. Gap request #3: 7-10 Fire Engine Crew to reflect a 16 week or 4 month training period before the scheduled station opening date of January 1st, 2012. This results in a \$633,030 2011 budget reduction. As per the operating guidelines a \$622,830 addition to the 2012 base budget is required to accommodate the full annual operating cost impact less any one-time funding reductions.
3. Defer request #5: On-line Citizen Engagement Survey to 2012. This results in a \$75,000 reduction in the 2011 budget.
4. Defer request #6: Employee Engagement Survey to 2012. This results in a \$50,000 reduction in the 2011 budget.
5. Defer request #7: Public Relations Staff to 2012. This results in an \$83,249 reduction in the 2011 budget.

The total of the above adjustments is \$861,279 reducing the overall Draft 2011 Operating Budget tax rate increase from 3.40% to 2.75%. This adjusts the annual dollar increase to the average home in Vaughan from approximately \$39 to \$32, a \$7 reduction.

Draft 2012 Operating Budget Implications

It should be noted that gapping new complements or deferring additional resource requests will have an impact on the Draft 2012 Operating Budget. Although these actions will result in a 2011 budget reduction, they will also increase the Draft 2012 Operating Budget tax increase by 0.61% from 4.73% to 5.34%, or approximately \$64 for the average home in Vaughan.

Draft 2011/2012 Operating Budget Update Summary

To assist the Finance & Administration Committee in their continued budget discussions provided below is a chart illustrating the implications on the Draft 2011/2012 Operating Budget based on the recommendations illustrated in the above sections.

Budget Change	2011 Tax Rate Change			2012 Tax Rate Change		
	%	\$/Home	\$(m)	%	\$/Home	\$(m)
<i>Base Budget Change</i>						
Original Base Budget	1.08%	12.55	1.46	1.99%	23.73	2.84
7-10 Fire Crew 2012 full year adj.	-	-	-	0.45%	5.37	0.63
Base Budget Sub-total	1.08%	12.55	1.46	2.44%	29.10	3.47
<i>ARR Budget Change</i>						
SMT ARR Recommendation	2.32%	26.97	3.11	2.74%	32.68	3.91
F&A Committee 2011 ARR adjustments	-0.65%	(7.56)	(0.86)	0.16%	1.91	0.21
Base Budget Sub-total	1.67%	19.41	2.25	2.90%	34.59	4.12
<i>City Operations Total</i>	2.75%	31.97	3.71	5.34%	63.68	7.59
<i>Hospital Levy</i>						
Hospital Levy	1.36%	15.78	1.83	1.36%	15.95	1.94
Grand Total	4.11%	47.75	5.54	6.70%	79.64	9.53

The adjusted 2011 & 2012 Additional Resource Request Lists reflecting the above changes are provided as Attachment #1.

Alternatives to Further Reduce the Operating Budget

In addition to the Finance and Administration Committee's request for staff to provide an Operating Budget Summary and adjusted additional resource request lists, it was also recommended that staff provide alternatives to further reduce the operating budget. To assist the Finance & Administration Committee in their continued budget discussions, staff are providing three alternatives for consideration. Each alternative will be briefly discussed following the below chart.

Alternative	2011 Budget Change	Tax Rate Impact	Cum Tax Rate Change
Current Tax Rate Increase			2.75%
1. Increase Anticipated Labour Savings	\$300,000	0.22%	2.53%
2. Further Review of Additional Resource Requests	Target TBD by Committee		2.53%
3. Hospital Land Levy Phase in Strategy Reconsideration	Target TBD by Committee		2.53%

Please note that financial implications associated with options 2-3 are not available until further direction relating to these alternatives is provided by the Finance and Administration Committee. It should also be noted that multi-year budgeting links the 2011 and 2012 budgets and 2011 adjustments can create slight variances to the 2012 operating budget, as it relates to assessment growth and other estimates. These adjustments will be incorporated in the April 5th Special Council consolidated item.

Alternative 1 - Increase Anticipated Labour Savings

Incorporated in the 2011-2012 operating budget is a plan to phase up the corporate anticipated labour savings budget (gapping & turnover) over two years to reflect a churn rate of approximately 3%. Based on preliminary performance and the timing of the budget approval process there is the potential to increase 2011 anticipated labour savings by \$300k. However, this could have an adverse impact on the 2011 year-end position.

Alternative 2 - Further Review Additional Resource Requests

On March 21st, 2011, the Finance and Administration Committee deliberated on the previously presented Senior Management Team's (SMT) recommended additional resource requests and recommended a number of adjustments to reduce the budget. If further budget reductions are required, the Finance & Administration Committee has the opportunity available to reconsider the additional resource requests and provide further direction. Although this action will result in budget reductions, it may have an impact on the City's ability to deliver existing levels of service or key strategic initiatives.

Alternative 3 - Hospital Land Levy Phase in Strategy Reconsideration

Currently the City has been financing the hospital land obligation internally. As a result, overall financial performance has been better than expected, which provides an opportunity to reconsider the timing of the hospital land levy phase-in strategy and extend the phase-in approach. Although, this action will result in an overall 2011 hospital land levy adjustment, it could impact on the 2013 or other future levies and potentially change the City's timetable to recover from this commitment.

Relationship to Vaughan Vision 2020/Strategic Plan

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

Regional Implications

None

Conclusion

This report is provided in response to the Finance and Administration Committee direction on March 21st, 2011.

Attachments

Attachment 1: Adjusted 2011 & 2012 Additional Resource Request Lists

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Respectfully submitted,

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Commissioner of Finance/City Treasurer

John Henry, CMA
Director of Budgeting and Financial Planning

Attachment #1: Adjusted 2011 and 2012 Additional Resource Requests

2012 Additional Resource Requests

#	Note 1	Department	Description	# of Positions	2012 Net FTE	2012 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
2012 Base Budget Increase *adjusted to reflect 2011 ARR Stn. 7-10 Fire Crew FY impact (Originally 1.99%)								2.44%	2.44%
Zero Budget Impact									
A1	V	Dev./ Transp.Eng.	TTC Muni. Inspector Contract Position	1	1.00	-	-	0.00%	2.44%
A2	V	Dev. Transp. Eng.	TDM Coordinator	1	1.00	-	-	0.00%	2.44%
A3		Engineering Services	Project Manager	1	1.00	-	-	0.00%	2.44%
A4		Engineering Services	Capital Design Team	2	2.00	-	-	0.00%	2.44%
Budget Impact									
1		Engineering Services	Traffic Analyst	1	1.00	84,862	84,862	0.06%	2.50%
2	MP	Fire Services	Station 75 - Engine Crew (16 FF & 4 Cap)	20	20.00	1,711,015	1,795,877	1.20%	3.71%
3	MP	Dev. Planning	Zoning By-law Review Contract Staff	6	6.00	579,480	2,375,357	0.41%	4.11%
4		Engineering Services	Traffic Technician	1	1.00	58,487	2,433,844	0.04%	4.15%
5	MP	Fire & Rescue Services	Communication Operators	2	2.00	154,761	2,588,605	0.11%	4.26%
6	S	Human Resources	HR Partner	1	1.00	103,341	2,691,947	0.07%	4.34%
7	S	Human Resources	Learning/Dev. Specialist & Coordinator	2	2.00	165,436	2,857,382	0.12%	4.45%
8	S	Eco. Dev	Business Development Officer	1	1.00	87,573	2,944,955	0.06%	4.51%
9	V	Corporate Comm	Web Content Mgmt Position	1	1.00	87,591	3,032,546	0.06%	4.58%
10		Dev. Transp. Eng.	Clerical Assistant	1	1.00	47,737	3,080,282	0.03%	4.61%
11		PW/Roads	Micro Milling		-	250,000	3,330,282	0.18%	4.79%
12		Enforcement Services	Property Standards Officer	1	1.00	90,476	3,420,758	0.06%	4.85%
13		Purchasing Services	Sr. Technical Position	1	1.00	71,453	3,492,211	0.05%	4.90%
14		Parks Ops	Temp Seasonal Employees	1	0.84	35,267	3,527,478	0.02%	4.92%
15	V	Access Vaughan	Citizen Service Representatives	2	1.38	96,743	3,624,221	0.07%	4.99%
16		Recreation Culture	Special Events Supervisor	1	1.00	110,491	3,734,712	0.08%	5.07%
17	MP	Library	E-Media Pilot Specialist (Cont.) gapped	1	0.50	34,955	3,769,667	0.02%	5.09%
18		Buildings & Facilities	Vellore CC FC Facility Operator I -	1	1.00	68,039	3,837,706	0.05%	5.14%
19		Parks Ops	GPS - Sidewalk Snow Plow Machines		-	42,723	3,880,429	0.03%	5.17%
20		Library	Resource Purchasing Power Protection		-	32,120	3,912,549	0.02%	5.20%
Moved from 2011 as per Committee Direction									
1	V	Strategic Planning	On-Line Citizen Engagement Survey	-	-	75,000	3,987,549	0.05%	5.25%
2	S	Human Resources	Prof.Fees - Engagement Survey	-	-	50,000	4,037,549	0.04%	5.28%
3	V	Corporate Comm	Public relations staff	1	1.00	83,249	4,120,798	0.06%	5.34%
Total of ARRs Recognized by Senior Management Team				50	48.72	4,120,798		2.90%	

Total Tax Increase (1%=\$1,420,603)

2012 Base Budget Increase

Tax Increase due to ARRs Recognized by Senior Management Team

5.34%

2.44%

2.90%

Note 1:

V = Link to Vaughan Vision 2020

MP = Link to City of Vaughan Master Plan

S = Link to Departmental Strategy