

DRAFT 2012 BUDGET AND 2013-2014 OPERATING PLAN

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 2012 Operating Budget and 2013-2014 Operating Plan, including additional resource requests, be received for information and discussion purposes.

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 Operating Budget Guidelines approved by Council are:

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

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

Communication Plan

Public consultation is integral to building the budget

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. For this reason, all Finance and Administration Committee meetings are open to the public. Community comments and input regarding the budget are received throughout this process and considered by Members of Council during budget deliberations. To complement the above process, easy to access space on the City's website has been designated for budget highlights, items, meeting dates, and relevant reference material. Listed below are scheduled Finance and Administration Committee meeting dates focused on budget related topics.

November 21, 2011	- 9:30 a.m. - 12:00 p.m.
November 28, 2011	- 7:00 p.m. - 10:00 p.m.
December 5, 2011	- 1:30 p.m. - 4:30 p.m.
December 13, 2011	- 7:00 p.m. - 10:00 p.m.
January 16, 2012	- 1:30 p.m. - 4:30 p.m.

The above meetings will take place at Vaughan City Hall, 2141 Major Mackenzie Dr. in Committee Room 242/243. In the interest of increasing the community's awareness, these meetings will be advertised on the City's website and using local media partners.

Final Opportunity for Community Input / Budget Approval Communication

In addition to the above section, a Special Council meeting will be scheduled in late January, before budget approval, to provide the public with a final opportunity to comment on the 2012-2014 Operating Plan. This meeting will be advertised in advance, consistent with the City's public notification by-law.

Economic Impact

The City's approach to establishing the annual operating budget is twofold. First, the process begins with Council approving very strict budget guidelines which are issued to departments. The guidelines do not include any "across the board" increases.

Second, a separate justification is required for each resource request not covered under the guidelines. There is a thorough vetting process and only those requests that are supported by management are individually itemized and recommended to the Finance and Administration Committee.

Together, the Base Budget and the Additional Resource Requests (ARR's) form the annual draft operating budget. Further discussion and the impact of each of these components are detailed within this report. Illustrated below are the combined major elements giving rise to the total budget change for both the base budget, and the Senior Management Team's Additional Resource Request funding recommendation:

Highlights & Major Budget Elements	2012		2013		2014	
	\$	Rate incr.	\$	Rate incr.	\$	Rate incr.
<i>Insurance Premium Increase</i>	1,560,000	1.10%	471,000	0.31%	477,600	0.30%
<i>Community Safety - Station 7-10 (full-year staffing)</i>	633,024	0.45%	-		-	
<i>Infrastructure Renewal Policy Funding</i>	608,849	0.43%	527,610	0.35%	387,768	0.24%
<i>Prior Year Decision Implications (full-year staffing)</i>	302,818	0.21%	-	0.00%	-	0.00%
<i>Capital Funding Requirements</i>	132,580	0.09%	511,948	0.34%	-	0.00%
<i>Roads Program (Net debenture funding)</i>	171,326	0.12%	939,242	0.62%	949,787	0.59%
<i>Other Net City Obligations (Workforce, Contracts, Utilities, etc)</i>	296,152	0.21%	1,586,355	1.04%	235,881	0.15%
<i>Additional Resource Requests</i>						
- <i>Community Safety</i>	367,189	0.26%	1,703,727	1.12%	-	0.00%
- <i>City Initiatives</i>	458,077	0.32%	501,713	0.33%	1,077,990	0.67%
- <i>New Infrastructure Related</i>	852,164	0.60%	56,581	0.04%	390,839	0.24%
- <i>Operational Requirements</i>	1,123,055	0.79%	652,336	0.43%	1,732,055	1.07%
Total Budget Change	6,505,234	4.60%	6,950,512	4.56%	5,251,920	3.26%
Average Residential Tax Bill Change	\$54		\$56		\$42	

It should also be noted, the results of the City's Program Review will be the subject of a future report and decisions related to this topic will be incorporated at a later date. A report regarding insurance will be provided to Committee/Council in the near future.

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 Hospital was approved on June 15th, 2009 and subsequently revised on April 5th, 2011. The approved 2012 & 2013 residential property tax increases associated with the separate Hospital Capital Levy is approximately \$11 or 0.91% in 2012 and 2013 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 information and details regarding the Draft 2012 Operating Budget and 2013-2014 Operating Plan and corresponding tax adjustments on an average Vaughan household.

This is the first of a series of budget reports that build the City's budget. The operating budget report sets the tone of the process and is complimented by subsequent reports on capital, user fees, program review, and a variety of Committee/Council requested reports.

Background – Analysis and Options

Executive Summary

Shaping the Future

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, and a number of vision based master plans reflecting important community needs. This transformation will increase the City's level of sophistication, generating pressures beyond the many factors currently placing 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.

Complementing this process is the implementation of a more holistic corporate planning process, which further integrates the strategic planning and financial planning processes. The benefits of this step are numerous, primarily:

1. To ensure an achievable and resourced strategic plan
2. To ensure resource allocation is guided by the City's vision and strategic themes
3. To better communicate the City's direction and focus

This year senior management, including directors, actively reviewed the City's strategic plan, discussed opportunities, and developed strategic priority themes and initiatives for this year's budget process. Although late in the process and rather optimistic in its timelines it was necessary to focus staff and align resources on important City initiatives. After learning from this year's process, it is anticipated that next year's corporate planning cycle will be further integrated.

Last year the concept of multi-year budgeting was successfully introduced. This action provides decision makers with added foresight and the 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. The future oriented focus will also provide citizens with more certainty about the direction of City services, finances, and tax levels. This is a very strategic approach intended to generate discussion on where the City's future resources should be focused to best support the City's vision, operationalize strategies, generate public value, and address pertinent challenges. It should be recognized that assumptions, estimates and uncertainties are a commonplace when predicting future budgets and these factors may change as new information becomes available. For this reason, it is suggested that Council only approve the current year budget and recognize future plans for the purpose of building future budgets.

Economic Outlook

Based on TD's quarterly economic forecast, the Canadian economy will continue to be constrained to a tepid pace into early 2012 due to a lack of consumer and business confidence caused by the European debt crisis and recent US debt downgrade. The evolution of political uncertainty in Europe and the US is critical but difficult to predict. South of the border the economy is expected to avoid a recession, but remain weak. It is expected that confidence will begin to improve next year and growth will gradually pick up, but at a considerably slower pace than previous forecasts. The Bank of Canada's interest rates are likely to remain historically low until early 2013, which will keep borrowing costs down providing support to housing activity and other significant purchases. Trends in consumer confidence and the expected slow economic growth have the potential to impact Vaughan's housing market, which is consistent with current building permit trends. Furthermore, it is anticipated that Provincial and Federal agencies will continue with spending restraint and stimulus recovery and it is undetermined how this could impact on grants and funding the City receives. On an optimistic note, the report also states if the U.S. recovery exceeds expectations and the European fiscal problems are addressed, Canadian economic growth could be significantly more robust. The above information is relatively global and is intended to provide a general economic context.

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. The guidelines do not include "across the board" increases for inflation or 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., 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 & Guidelines.

Base Budget and Additional Resource Request Highlights are provided below:

Base Budget

The impact of the Base Operating Plan, derived from Council's approved guidelines is as follows:

	2012	2013	2014
Net Taxation Change	\$3.70m	\$4.04m	\$2.05m
Avg. Residential Tax Rate Change	2.62%	2.70%	1.30%
Avg. Residential Tax Bill Change	\$30.84	\$32.62	\$16.10

The above changes are largely driven by staff agreements, contractual obligations, utility needs, and capital funding requirements. Although there are many components to the City's base budget, there are six significant specific adjustments to be highlighted. Technically, in the absence of these adjustments, there would be a significant decrease in the base budget. These items and their affect on the base budget are illustrated in the following table.

Major 2012-14 Base Budget Adjustments	2012		2013		2014	
	\$	Rate incr.	\$	Rate incr.	\$	Rate incr.
Base Budget Change	3,704,749	2.62%	4,036,155	2.70%	2,051,036	1.30%
Less: Major Expenditure Increases						
Insurance Premiums <i>(Note 1)</i>	1,560,000	1.10%	471,000	0.31%	477,600	0.30%
Prior Year Decision Implications	935,842	0.66%	-	0.00%	-	0.00%
Infrastructure Contribution Policy	608,849	0.43%	527,610	0.35%	387,768	0.25%
Capital from Taxation Requirement	132,580	0.09%	511,948	0.34%	-	0.00%
Subtotal	3,237,271	2.29%	1,510,558	1.01%	865,368	0.55%
Less: Major Revenue Reductions						
Payment in Lieu Adjustment	800,000	0.57%	100,000	0.07%	-	0.00%
Investment Income Realignment	750,000	0.53%	250,000	0.17%	250,000	0.16%
Subtotal	1,550,000	1.10%	350,000	0.23%	250,000	0.16%
Base Budget Excluding Major Adjustments	(1,082,522)	-0.77%	2,175,597	1.45%	935,668	0.59%

Note 1 – A report regarding Insurance will be provided to Committee/Council in the near future

Additional Resource Requests (ARR's)

As previously noted Additional Resource Requests are not permitted under the base operating budget guidelines and are submitted and assessed on their respective merits. Initially, there were requests totalling a combined \$16.7m, all of which are valued. Reducing this balance to a level was very difficult for decision makers, who were frequently faced with the dilemma of choosing between “building a progressive city” and “keeping tax rates low”. The Senior Management Team’s funding recommendation is a blend of both ideals driven by the following:

- Community Safety - fire operations & traffic management
- New Infrastructure Related - Thornhill Woods library, McMillan farm, Vellore expansion, road maintenance, etc.
- Operational Requirements to Continue City Services – zoning by-law review, support and operational requests, etc.
- City Initiatives – operational review, surveys, electronic document management, Vaughan Metropolitan Centre, municipal sponsorship, environment action plans, etc.

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, some redistributed within the planned years, and \$7.8m deferred beyond the 2012-2014 plans without guarantee. In many situations the result is not optimal, potentially compromising service levels, but necessary to minimize tax pressures on the community. The above situation further supports the need to begin planning resources beyond a single year in order to address future opportunities and challenges. A high-level summary of the additional resource request recommendations are provided in a later section. More specific details are provided in the Attachment, specifically Section 5 - Additional Resource Requests and Section 8 Department Information. The result of the Senior Management Team’s funding recommendation is as follows:

	2012	2013	2014
Net Taxation Change	\$2.8m	\$2.91m	\$3.20m
Avg. Residential Tax Rate Change	1.98%	1.91%	1.99%
Avg. Residential Tax Bill Change	\$23.32	\$23.56	\$25.59

Combined Base Budget and Additional Resource Requests

The combined impact of the base budget and the additional resource requests is illustrated below:

	2012	2013	2014
Net Taxation Change	\$6.51m	\$6.95m	\$5.25m
Avg. Residential Tax Rate Change	4.60%	4.56%	3.26%
Avg. Residential Tax Bill Change	\$54.16	\$56.18	\$41.98

Please note: the sum of 2013 & 2014 base + ARR figures will not total to the above combined results. This is due to the exclusion of the ARR impacts on the levy in the base budget calculation.

Future Budget Reallocations/Updates

The budgeting process is constantly evolving to the needs and requirements of departments, management, Council, and residents. Detailed within this section are brief highlights of additional process changes to be aware of:

Insurance Expense: Historically the insurance expense was accounted for within the department budgets and this method has created allocation and reporting challenges. It is further complicated by transfers to and from the Insurance reserve for annual operating/reporting purposes. Moving forward, to simplify the process, insurance related expenses will be consolidated under one corporate expense account. Although the reallocation net impact is neutral to the City, annual 2012 budget variances will be present within sections due to the reallocation of department budgets to a corporate account.

Fleet Dept. /Repairs & Maintenance Expense: Currently there are multiple budget treatments for repairs and maintenance i.e. machine time, holding accounts, department budgets, fleet budgets, etc. To simplify this very complex process, repair and maintenance budgets including machine time will be allocated to specified fleet department subunits. This will provide a better understanding of this cost and allow for some degree of budget flexibility. Direct department consumables such as gas and leases will remain within the department budgets and be adjusted based on guideline allowable price and volume escalations.

Traditionally, the fleet department has been subsidized through the fleet reserve, approximately \$365k net. To mitigate the fleet department’s funding dependency on the reserve, a three year phase-in approach is being applied. This is necessary to secure a continuous funding source for fleet department operating costs, leaving fleet reserve funds for the purpose of ensuring assets are replaced when needed.

New Information – The Draft 2012 Operating Budget and 2013-2014 Operating Plan is based on information at a point in time and new information may become available through deputations, staff items, or Committee/Council decisions, as the budget process unfolds; 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 2012 Operating Budget and 2013-2014 Operating Plan.

<u>Budget (Base + ARRs)</u>	2011	(Projected)		
		2012	2013	2014
Average residential assessment	\$ 472,368	\$ 485,122	\$ 498,220	\$ 511,672
Total taxes levied on the average assessed home ***	4,497	4,551	4,607	4,649
City of Vaughan portion (26-27%)	1,178	1,232	1,288	1,330
City of Vaughan tax adjustment % on total taxes		1.2%	1.2%	0.9%
Hospital Capital Levy on the avg. home	38	49	60	60
Reduction for qualifying seniors	298	312	320	324
A 1% increase in the tax rate generates	\$1.3m	\$1.414m	\$1.524m	\$1.611m
Impact of a 1% increase on the average home	\$ 11.45	\$ 11.78	\$ 12.32	\$ 12.88
Assessment growth (projected)	3.17%	3.10%	3.00%	3.00%
Tax Rate Increase		4.60%	4.56%	3.26%

***Increase based only on Vaughan increase

Draft 2012 Operating Budget and 2013-2014 Operating Plan 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 2012 Operating Budget and 2013-2014 Operating Plan, the remainder of the report is dedicated to reviewing the following budget components:

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

The Attachment: Sections

- 1. *Base Budget - Revenue & Expenditure Summary*
- 2. *Base Budget – Major Budget Change Summary*
- 3. *Base Budget – Full-Time Equivalent (FTE) Summary*
- 4. *Base Budget – Analysis & Other Information*
- 5. *Additional Resource Request*
- 6. *Business Plan Performance Measures*
- 7. *Corporate Budget Guidelines*
- 8. *Department Information*
 - o *Financial Summaries*
 - o *Business Plans*
 - o *Recommended ARRs*

A) Base Budget Under the Guidelines

Based on the budget guidelines, the City's Draft Base Operating plan and associated increases are reflected below:

	2012	2013	2014
City's Expense Budget	\$223m	\$234m	\$244m
Net Taxation Change	\$3.70m	\$4.04m	\$2.05m
Avg. Residential Tax Rate Change	2.62%	2.70%	1.30%

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

For this year's 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 City expenditures of 3.0% in 2012, 4.8% in 2013, and 4.5% in 2014. These increases are illustrated in section 1 of the attachment - *Base Budget - Revenue & Expenditure Summary*.

Considering Factors Other Than CPI When Assessing the Budget

When assessing the Operating Budget, it is very important to put municipal cost increases into perspective. It is very common for stakeholders 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 capture cost increases and do not incorporate non-cost related factors associated with a municipality such as growth, infrastructure repair, new services or initiatives, legislative requirements, revenue fluctuations, etc. These are in addition to CPI.
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. An alternative approach would be to use a **Municipal Price Index (MPI)** based on applying relevant indices/indicators to the weighting of major expense categories.

Component	Inflation Figure	Source	Scenario #1		Scenario #2	
			% of Budget	Weighted Average	% of Budget	Weighted Average
Salaries and Benefits	4.0%	CoV settlement agreements	58.5%	2.3%	58.5%	1.2%
	2.2%	Ministry of Labour				
Contracts and Materials	5.1%	5 yr Average Historical Increase	16.0%	0.8%	16.0%	0.8%
Utilities and Fuel	11.2%	Stat's Can. Aug, 2011 - Energy CPI	3.5%	0.4%	3.5%	0.4%
Capital Funding	3.4%	Construction Price Index	3.0%	0.1%	3.0%	0.1%
Insurance	20.8%	AMO Municipal Insurance Survey	2.4%	0.5%	2.4%	0.5%
All Other	1.8%	Core Inflation - Aug 2011	16.6%	0.3%	16.6%	0.3%
Calculated Municipal Price Index			4.5%		3.3%	

As previously noted, the base City expenditures are increasing by 3.0% in 2012, 4.8% in 2013, and 4.5% in 2014. Although, comparable to the MPI, embedded in these figures are non-price related increases associated with contract/utility growth, full implications of prior initiatives, and increases in infrastructure funding. Removing these items from the presented overall expenditure increase would yield approximate increases of 2.2% for 2012, 3.5% for 2013, and 3.4% for 2014. Total City expenditure increases are inline with the Municipal price index clearly signalling Vaughan is managing its finances within industry ranges.

Major Base Budget & Tax Rate Change

Approximately 55%-65% of the City's expense 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.

To assist the committee in assessing the Draft 2012-2014 Base Operating Plan resulting from the budget guidelines, the following summary is provided below:

Expenses	2012		2013		2014	
	\$	Tax Rate	\$	Tax Rate	\$	Tax Rate
<i>Labour Costs</i>						
- Gapping	935,842	0.66%		0.00%		0.00%
- Cola, JEV	4,267,960	3.02%	2,618,957	1.75%	1,804,299	1.14%
- Prog.	369,875	0.26%	370,000	0.25%	251,000	0.16%
Sub-total	5,573,677	3.94%	2,988,957	2.00%	2,055,299	1.30%
<i>Contingency</i>	1,418,150	1.00%	2,790,199	1.87%	3,584,925	2.27%
<i>Labour savings</i>	(300,000)	-0.21%	(100,000)	-0.07%	(100,000)	-0.06%
Sub-total	6,691,827	4.73%	5,679,156	3.80%	5,540,224	3.50%
<i>Contracts</i>	431,931	0.31%	1,091,600	0.73%	794,725	0.50%
<i>Utilities</i>	(164,500)	-0.12%	309,000	0.21%	466,000	0.29%
<i>Fuel</i>	454,220	0.32%	61,200	0.04%	33,629	0.02%
Sub-total	721,651	0.51%	1,400,600	0.94%	1,260,725	0.80%
<i>Insurance</i>	1,560,000	1.10%	471,000	0.31%	477,000	0.30%
<i>LTD</i>	171,326	0.12%	1,939,242	1.30%	1,749,787	1.11%
<i>Infra.</i>	618,349	0.44%	537,300	0.36%	397,652	0.25%
<i>Cap. Tax</i>	132,580	0.09%	511,948	0.34%	-	0.00%
Sub-total	922,255	0.65%	2,988,490	2.00%	2,147,439	1.36%
<i>City Hall funding</i>	(1,000,000)	-0.71%		0.00%		0.00%
<i>Elections</i>					1,024,794	0.65%
<i>YRT Ticket Purchases</i>	440,000	0.31%	36,750	0.02%	37,670	0.02%
<i>Other net</i>	427,613	0.30%	103,150	0.07%	56,879	0.04%
Expense Change	9,763,346	6.90%	10,679,146	7.14%	10,544,731	6.67%

Note: For illustration purposes the above 2012 figures exclude neutral impact corporate adjustments. These items are also separated in the financial summary included in the attachment.

The above changes in the City's expenditures are partially offset by limited revenue streams, primarily user fees, reserve funding, assessment growth, and other sources. Any shortfall between City revenues and expenses is funded through taxation increases. Summarized below are the major changes in revenue streams and associated net change on taxation.

Revenues	2012		2013		2014	
	\$	Tax Rate	\$	Tax Rate	\$	Tax Rate
Reductions						
Payment in Lieu	(800,000)	-0.57%	(100,000)	-0.07%	-	
Fines & Penalties	(300,000)	-0.21%	100,000	0.07%	-	
Investment Income	(750,000)	-0.53%	(250,000)	-0.17%	(250,000)	-0.16%
Sub-Total	(1,850,000)	-1.31%	(250,000)	-0.17%	(250,000)	-0.16%
Increases						
Fees & Charges	1,420,700	1.00%	944,069	0.63%	1,589,381	1.00%
Hydro Dividends	1,250,000	0.88%	450,000	0.30%	600,000	0.38%
Supplemental tax	950,000	0.67%	-		-	
Debenture Reserve	-		1,000,000	0.67%	800,000	0.51%
Election Resv.					1,024,794	0.65%
Other Net	33,659	0.02%	143,147	0.10%	121,988	0.08%
Sub-Total	3,654,359	2.58%	2,537,216	1.70%	4,136,163	2.61%
Total Revenue Change	1,804,359	1.28%	2,287,216	1.53%	3,886,163	2.46%
Assessment Growth	4,254,238	3.01%	4,355,774	2.91%	4,607,532	2.91%
Sub-total	6,058,597	4.28%	6,642,990	4.44%	8,493,695	5.37%
Net	3,704,749	2.62%	4,036,156	2.70%	2,051,036	1.30%
1% tax increase	1,414,877		1,495,483		1,581,919	

Note: For illustration purposes the above 2012 figures exclude neutral impact corporate adjustments. These items are also separated in the financial summary included in the attachment.

A more detailed schedule is provided in the attachment under Section 2 – Base Budget Major Budget Change Summary.

B) Base Budget Revenue Review

	2012		2013		2014	
	Budget	Change	Budget	Change	Budget	Change
Base Budget Revenues	\$ 77,760,648	\$(1,552,286)	\$ 80,047,864	\$ 2,287,216	\$ 83,934,027	\$ 3,886,163

The above figures exclude any impact associated with assessment growth and reflect percentage increase in the 2-5% range. 2012 is presented as reduction due to removal of fleet and insurance reserve transfers, which are met by similar offsetting reductions in expenses. Overall the impact is neutral. Without these masking adjustments the true 2012 increase is \$1.8m or a 2% increase. Further information regarding specific revenue adjustments are provided below:

Supplemental Taxation

Supplemental taxation is generated from additional assessment forwarded to the City from Municipal Property Assessment Corporation (MPAC), over the course of the year, and is primarily a result of new construction. Historically, supplemental revenue figures achieved have been greater than the budget and therefore a conservative \$950k revenue increase is included. It should be noted, supplemental taxation is based on growth levels and occupancy timing, which is extremely difficult to predict. Given the current uncertain economic climate, Committee/Council is cautioned on associated risks and advised to delay any further adjustment until the economy stabilizes and more analysis is conducted.

Funding from Reserves:

	2012		2013		2014	
	Budget	Change	Budget	Change	Budget	Change
Funding from Reserves	\$ 15,639,251	\$(3,309,813)	\$ 16,766,438	\$ 1,127,187	\$ 18,612,139	\$ 1,845,701

2012 decrease of \$3.3m:

- The largest budget adjustment in funding from reserves is related to insurance and fleet budget process changes. These changes have an overall neutral impact on the total budget, but result in many budget reallocations. For illustration purposes, the attached financial summary separates these reallocations, which balance to zero. The impact on the funding from reserves balance is a reduction of \$3.3m.
- The finance from capital budget increased by \$150k to better reflect the historical trend in the City's actual position
- There is also a \$91k increase in the Building Standards reserve, which is actually neutralized by a reduction in Building Standards revenue and increase in associated expenses.
- 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.
- Adjustments occurred in the recreation land reserves as a result of activity, departmental cost changes, and anticipated growth trends.
- The above increases were offset by the following:
 - Decrease in funding from the engineering reserve of \$93k due to a change in allocation of department based activity.
 - Removal of \$78k from the roads infrastructure reserve related to a prior year initiative.

2013 increase of \$1.127m & 2014 Increase of \$1.845m:

- The largest component of the budget increases are related to additional funding from the debenture reserve to smooth increases in future debenture payments. Budget increases of \$1m and \$800k are required for 2013 and 2014, respectively.
- Budget increases in Engineering, Building Standards, and Water/WasteWater recoveries services were a result of activity, departmental cost changes, and anticipated growth trends. These adjustments amounted to \$248k in 2013 and \$142k in 2014.
- An election is slated for 2014 and a corresponding withdrawal in the amount of \$1.024m, based on the past election, is budgeted in 2014.
- The above budget increases were slightly offset by the phase-out of the funding from the fleet reserve in both 2013 & 2014. This is necessary to secure a continuous funding source for fleet department operating costs, leaving fleet reserve funds for the purpose of ensuring assets are replaced when needed.

User Fees / Service Charges

	2012		2013		2014	
	Budget	Change	Budget	Change	Budget	Change
Fees/Charges/Recoveries	\$ 35,974,579	\$ 1,420,708	\$ 36,931,808	\$ 957,229	\$ 38,617,498	\$ 1,685,690

Major Budget Adjustments

- The largest component of the budget increases are related to recreation due to the climbing demand for services, general price increases, York Region transit ticket sales, and the anticipation of the Carville Block 11 community centre in 2014/2015. It should be noted that these increases are largely offset by similar expenditure value increases. Revenue increases related to recreation revenues are \$745k for 2012, \$565k in 2013, and 1.3m in 2014.
- The second largest component of the budget increases are related to an anticipated increase in planning activity. The majority of the 2012 increase is related to an increase in site plan agreements, which better reflect past performance. In addition, development activity is anticipated within the Vaughan Metropolitan Centre, Carville, Concord, and Thornhill development areas. Planning revenues are slightly lower in future years as the fee by-law expires in 2012 and price increases for 2013 and 2014 are not determined. Based on the above, planning revenues are anticipated to increase \$767k for 2012, \$328k in 2013, and \$346k in 2014.
- Licensing revenues also increased to reflect general price and volume estimates. The 2012 budget increase is larger than future years to reflect historical performance. Budget increases are \$103k for 2012, \$42k in 2013, and \$45k in 2014.
- The above 2012 budget increases were slightly offset by the following:
 - A \$153k decrease in Development Transportation Recoveries, due to a provincial decision to supply support to coordinate the subway extension project. This reduction is offset by a related reduction in contract expenses.
 - A \$22k decrease in Public Works revenues resulting from a correction to actual performance as it relates to recoveries from York Region for winter road maintenance duties.
 - A \$22k decrease in Enforcement Services revenues to reflect historical signage fee volumes.
- The remaining budget adjustments are relatively minor in nature.

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.

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. 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. Detailed below is a summary of department and estimated full cost recovery ratios for these areas:

Department Budgeted Recovery (Figures in Thousands)	Recreation	Licensing	Enforc. Services	Planning	COA	Building Standards (OBC)	Building Standards (Non-OBC)
Revenues	\$ 17,728	\$ 1,070	\$ 2,196	\$ 3,199	\$ 411	* \$ 8,308	\$ 441
Expenditures	19,187	629	4,915	2,875	566	5,762	615
Subsidy/(Surplus)	1,459	(441)	2,719	(324)	156	(2,546)	173
2012 Dept Budget Recovery Ratio	92%	170%	45%	111%	73%	144%	72%
2013 Dept Budget Recovery Ratio	93%	175%	44%	120%	71%	144%	71%
2014 Dept Budget Recovery Ratio	96%	181%	43%	131%	71%	145%	70%
Memo: 2011 Dept. Budget Recovery Ratio	95%	162%	46%	88%	74%	158%	65%
Full Cost Estimate (ABC Model)	** \$ 40,202	\$ 1,484	\$ 4,504	\$ 5,100	\$ 989	\$ 8,310	1,219
Subsidy/(Surplus)	22,475	414	2,308	1,901	579	2	778
2012 Full Cost Recovery Ratio	44%	72%	49%	63%	42%	100%	36%
2013 Full Cost Budget Recovery Ratio	44%	74%	48%	68%	41%	100%	36%
2014 Full Cost Budget Recovery Ratio	46%	76%	47%	74%	41%	100%	36%
Memo: 2011 Full Cost Budget Recovery Ratio	44%	66%	50%	49%	43%	100%	32%
Policy Recovery Goal	95% Dept. Cost	100% Full Cost		100% Full Cost	100% Full Cost	100% Full Cost	

* Building Standards revenues include a \$870,000 draw from Building Standards Continuity Reserve in 2012, \$990,000 in 2013, and \$1,050,000 in 2014.

** Recreation Building & Facility costs approximately \$15.2M in 2012, \$15.6 in 2013, and \$16.1M in 2014.

As illustrated above, most areas are recovering more than 70% of their department budgets. Overall, recovery targets are remaining stable with some isolated exceptions. It should be noted that most labour agreements expire early 2012 and costs associated with contract renewals are not incorporated in the above department expenses making planned recovery targets mildly optimistic. It should also be noted, that all program full costs with exception for Building Standards, are partially subsidized providing an opportunity to revisit these policies should actions be required to reduce the draft operating budget taxation requirement. Illustrated below are brief comments related to each of the above sections.

- Building Standards continues to maintain a 100% building code full cost recovery target with a draw from the Building Standards Service Continuity Reserve in anticipation of lower volumes created by the slow economic recovery.
- Licensing also continues to achieve their target of recovering business licensing full costs. 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. Planned recovery targets are not anticipated to fall below 2012 projections, despite the lack of post 2012 labour agreement impacts.
- Recreation is planning to recover 96% of their departmental costs by 2014. Presented targets are mildly optimistic as future cost increases associated with labour agreement renewals are not included and could reduce the planned recovery to a figure slightly below their policy target of 95%.
- Enforcement Services recovery is planned to steadily drop from 50% to 47% between 2011 & 2014. It should be noted that a recovery policy is not in place for enforcement services, as this service is driven by compliance. However, in prior budgets it was anticipated the recovery would improve with the implementation of the Administration Monetary Penalties initiative intended to streamline the process and improve City collection efforts, but this has not yet materialized.
- Planning full cost recovery is steadily climbing from 49% in 2011 to a planned 74% in 2014, which is a great improvement over past budgets. COA recovery targets are holding flat at roughly 40% of full costs.

Other Fees

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. Most of the fees discussed above are based on existing studies and multi-year bylaws, which expire at varying intervals and therefore the above guidelines are focused on the General User Fee By-law, which captures a variety of minor/miscellaneous fees. This exercise is proposing to reduce the 2012-2014 Operating Plan by approximately \$29,867 in 2012 and \$28,575 in 2013, \$30,820 in 2014, which is provided for in contingency until the proposed user fee / service charge increases are approved by Council. For future budget processes, it would be of a great benefit to coordinate and consolidate the planning of these by-laws for review, update, and budget approval under one process.

Corporate Revenues

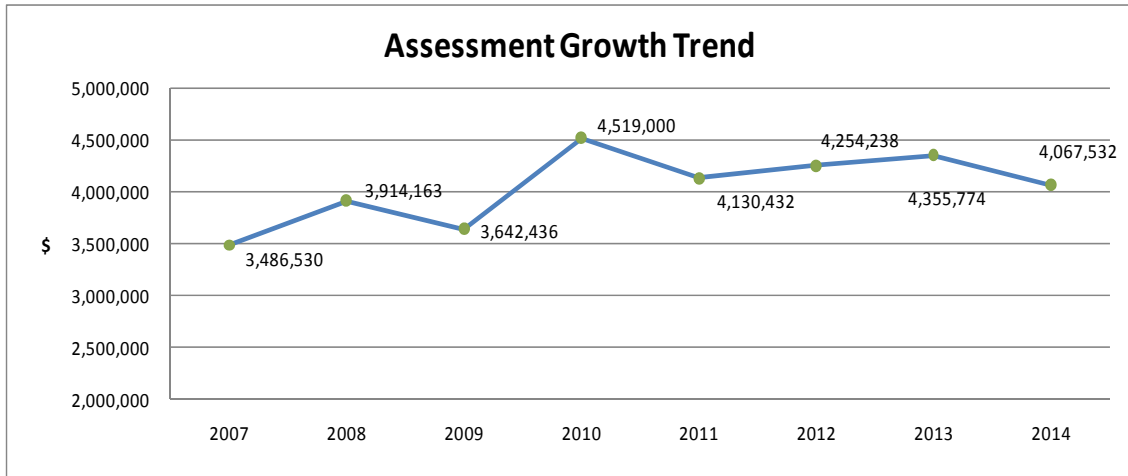
	2012		2013		2014	
	Budget	Change	Budget	Change	Budget	Change
Corporate Revenues	\$ 17,501,578	\$ 186,819	\$ 17,804,378	\$ 302,800	\$ 18,159,150	\$ 354,772

Major Budget Adjustments

- PowerStream Dividends – Based on financial forecasts this corporate revenue source is anticipated to increase in 2012 by \$1.25m, 2013 by \$450k, and 2014 by \$600k.
- Investment Income – As discussed last year, there is a need to change the methodology used to allocate investment income between the operating budget and reserve accounts. As a result, investment income allocated to the operating budget is phased down in 2012 by \$750k, 2013 by \$250k, and 2014 by \$250k.
- Fines and Penalties – The corporate fine and penalty budget was reduced by \$300k in 2012 to better reflect actual historical trends experienced. This budget is expected to increase by \$100k in 2013 due to the current economic climate and stabilize through 2014.
- The remaining budget year differences consist of relatively minor budgets and changes.

Assessment Growth

For 2012–2014 assessment growth is estimated to remain stable at 3% and relatively consistent with prior year values. This is consistent with the economic outlook that growth will be gradual.



Although not specifically allocated, these funds help offset the increasing service costs associated with community growth. To illustrate this point, each year city additions are made:

- Roads
- Sidewalks
- Waste/recycling stops
- Streetlights
- Parkland
- Trails
- Library's
- Fire operations, etc.

All the above additions require funds to operate and maintain service levels. Included in the Draft 2012- 2014 Operating Plan are estimates for staffing, contracts, utilities and associated renewal costs supporting growth. Below are a few items that are indirectly funded through assessment growth.

- Prior year impacts
 - In 2012 \$935k is required for station 7-10, Vellore fitness centre expansion, and other growth related items.
- Contract and utility volume increases
 - On average the City's budget increases by \$400k -\$600k for this purpose
- Infrastructure renewal
 - As a City grows infrastructure is added, which is initially funded by the development industry, with replacement costs borne by the City at a later date. Additional funding associated with these costs is estimated to be between \$800k to \$2.5m annually.
- Additional Resource Requests
 - Typically \$1m -\$2m are approved each year to service growth i.e. fire engines, community centers, parks, etc.

C) Base Budget Expenditure Review

As illustrated in the Revenue and Expense Summary in Section 1 of the Attachment, the City's expense budget changed as follows:

	2012		2013		2014	
	Budget	Change	Budget	Change	Budget	Change
Base Budget Expenditures	\$ 222,953,124	\$ 6,406,701	\$ 233,632,270	\$ 10,679,146	\$ 244,177,001	\$ 10,544,731

2012 is presented lower than future years due to process adjustments in fleet and insurance, which are met by similar offsetting reductions in revenues. Overall the impact is neutral. Without these masking adjustments the true 2012 increase is \$9.8m or a 4.5% increase, which is more consistent with 2013 and 2014 projections. Further information regarding specific expense budget adjustments are provided below.

Departmental Expenditures

2012 increase of \$5.0m, including the \$536k Library Board increase:

This represents an increase of 2.6% over the 2011 departmental budget, and largely due to the following items:

- Of the total departmental budget increase, \$5.6m is related to changes to support the City's workforce consisting of the following:
 - \$2.6m in economic adjustments, as per established agreements, excluding associated benefits.
 - \$1.3m increase in benefits due to additional complement, economic adjustments, and benefit rate increases caused by increasing OMERS contributions and EI/ CPP thresholds.
 - \$805k related to prior year budget gapping (Station 7-10 firefighters, Vellore Village Fitness Centre staffing, and other compliments).
 - The remaining balance is related to progressions, job-evaluations, part-time surveys, 3/6/9 fire retention phase in, market adjustments etc. Approximately \$100k is related to increases in the Library due to a 2010 management market survey.
 - Insurance expense premiums and planned claims expenses increased by \$1.6m or 50% as a result of a recent insurance contract award. A report regarding insurance will be provided to Committee/Council in the near future.
 - \$432k relates to pressures from contracted services. These increases are the result of growth demands and industry price obligations. Overall, contract service lines increased by 0.2% and relate to winter control, ITM services, waste management etc. This figure is lower than historical trends due to savings found in contract street lighting in the amount of \$241k which were reallocated to the contingency account for future corporate initiatives.
 - A \$454k increase in gas/diesel fuel due to rising prices and more vehicles as permitted in the approved budget guidelines.
 - A \$440k increase in YRT ticket purchases to match historical trends. The revenue was increased the same and the net effect is neutral.
 - The remaining increases are minor and in various other accounts.
 - The above department increases were partially reduced by \$3.8m for the following corporate reallocations and adjustments.

- Infrastructure contributions embedded within the Fire, Heritage, & City Playhouse departments were transferred and consolidated with like contributions in the corporate section, approximately \$1.4m.
- A process change to isolate insurance to one account resulted in the removal of various arbitrary allocations to departments, approximately \$2.3m. This action is neutral and met with similar reductions in insurance reserve transfers.

2013 & 2014 increases of \$5.0m and \$3.9m, respectively

The City's Workforce: Consistent with 2012, the largest pressure for 2013 and 2014 are requirements to fund the City's workforce estimated at \$2.5m and \$1.7million, respectively. The 2013 and 2014 plan steadily drops due to expiring labour contracts and the timing out of staff progressions. Post agreement labour estimates are planned for in corporate contingency along with other uncertain events. Also incorporated in the these figures are benefit rate increases from 26% to 26.7% to 27.4% caused by increasing OMERS contributions and EI/ CPP thresholds.

Contracts: The second largest component of the 2013-2104 department expenditure increases is related to pressures from contract services, \$1.1m and \$700k, respectively. These increases are typically the result of increasing demands on services due to growth and industry price obligations. Overall contract service lines increased 3.5% and 2.2%, respectively, and mainly relating to waste management, streetlight maintenance, winter control, ITM services, etc.

Utilities: The third largest component of the 2013-2104 department expenditure increases is related to utilities, \$490k and \$628k, respectively. These increases are typically the result of increasing volumes and industry price expectations as permitted in the guidelines.

Insurance - Premiums and planned claim expenses are anticipated to rise by 10% per year, based on industry trends and projections, translating to a \$471k increase for 2013 and a \$478k increase for 2014.

The remaining balance consists of relatively minor increases in multiple accounts.

Explanations for Department Budget Changes in excess of \$100k are provided in the attachment under Section 4 – Base Budget Analysis & Other Information and Section 8 – Department Information.

Corporate Expenditures

Corporate expenditures contributed to the remaining City expenditures, which required the following adjustments:

	2012		2013		2014	
	Budget	Change	Budget	Change	Budget	Change
Corporate Expenditures	\$ 26,558,189	\$ 1,432,169	\$ 32,250,743	\$ 5,692,554	\$ 38,922,157	\$ 6,671,414

Explanations for the budget increases are as follows:

2012 Increase of \$1.4m:

- The City's contingency budget increased by \$1.4m and relates to future labour agreement negotiations and certain foreseeable events i.e. fee increases, etc. Once the outcomes of these events are determined, balances will be reallocated to the appropriate department budgets.
- Corporate Expenditures decreased by \$1.8m and are attributable to the following:
 - Removal of City Hall reserve \$1m funding as the project is completed and funding is secure for debenture allocation.
 - A process change to isolate insurance to one account resulted in the removal of the arbitrary corporate insurance allocation, approximately \$0.9m. This action is neutral and met with similar reductions in insurance reserve transfers
 - A \$300k increase in anticipated labour savings to keep in line with the increase in labour costs and associated churn and gapping.
 - The balance is associated with projected cost increases for tax adjustments, joint services and bank charges.
- Reserve contributions increase by \$1.6m, mainly caused the following:
 - \$608k in additional reserve contributions, resulting from the recent policy approval
 - \$1.4m reallocation from Fire, Heritage and City Playhouse departments in order to consolidate these types of transfers. As mentioned earlier this action has a neutral impact and is met with decreases in department areas.
 - A reduction in the roads infrastructure reserve to better align savings obtained through the 2011 budget process.
- Capital from taxation increase by \$132k as result of the recently adopted infrastructure policy.

<u>Guideline Expenditure Increase</u>	<u>2012</u>	<u>%</u>	<u>Tax Rate</u>
<u>Corporate Expenditures</u>	<u>\$ Impact</u>	<u>Incr.</u>	<u>% Impact</u>
Long Term Debt	171,326	1.4%	0.1%
Contingency	1,372,414	79.9%	1.0%
Reserve Contributions			
-Fire & Rescue Contribution	1,174,726		
-Streetscape	323,328		
-Roads Infrastructure	(307,656)		
-Heritage and City Playhouse	219,000		
-Other	202,945	1,612,343	51.4%
Capital from taxation	132,580	2.0%	0.1%
Corporate Expenses			
Corporate Insurance	(866,345)		
Tax Adjustments	200,000		
Anticipated Labour Savings	(300,000)		
City Hall Funding	(1,000,000)		
Other	109,851	(1,856,494)	-119.3%
Total Corporate Expenditure Change	1,432,169	5.6%	1.0%

2013 & 2014 increases of \$5.7m and \$6.7m respectively

City Contingency - The City's contingency account relates to future labour agreement negotiations and certain foreseeable events i.e. fee increases, corporate reorganizations, etc. Once the outcomes of these events are determined, balances will be reallocated to the appropriate department budgets. 2013 and 2014 budget increases are estimated at \$2.8m and \$3.6m respectively.

Long-term Debt - The repayment of long term debt in 2013 and 2014 is planned to increase by \$1.9m and \$1.7m respectively, primarily to fund major road projects, as per the road program. Debenture reserve funding increased by \$1m and \$800k respectively to smooth this cost. When combined, the net impact is \$900k per year.

Corporate Expenditures – There are no major budget changes for 2013, but an election is slated for 2014 and the corresponding estimated expense at \$1.024m is planned, based on the past election costs. This cost is fully offset by revenues from the election reserve. The above cost is offset by minor adjustments in other accounts.

Reserve Contributions - Based on the recently adopted infrastructure funding policy, infrastructure reserve contributions are anticipated to increase in relation to the addition and cost escalation of assets. As a result the 2013 and 2014 budgets are anticipated to increase by \$528k and \$388k.

Capital from Taxation - Based on the recently adopted infrastructure funding policy, Capital from Taxation is anticipated to increase by an inflationary component in order to maintain pace with market values. However, the number of projects for this funding source is escalating and based on capital plans additional funds will be required in 2013, approximately \$511k. It should be noted this budget has remained relatively unchanged for the past decade.

	2013			2014		
	\$ Impact	% Incr.	Tax Rate % Impact	\$ Impact	% Incr.	Tax Rate % Impact
Long Term Debt	1,939,242	15.8%	1.3%	1,749,787	12.3%	1.1%
Contingency	2,790,199	90.3%	1.9%	3,584,945	61.0%	2.3%
Reserve Contributions						
-Fire & Rescue Contribution	22,361			22,809		
-Streetscape	289,250			144,920		
-Parks Infrastructure	135,322			150,403		
Other	104,232	551,165	11.0%	93,756	411,888	7.4%
Capital from taxation	511,948	7.6%	0.3%	0	0	0.0%
Corporate Expenses						
Elections				1,024,794		0.6%
Anticipated Labour Savings	(100,000)	3.0%	-0.1%	(100,000)	2.9%	-0.1%
Total Corporate Expenditure Change	5,692,554	17.6%	3.8%	6,671,414	17.1%	4.2%

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:

Operating Expenditures	2012			2013			2014		
	Base Budget (\$)	% of Total Budget	Cumulative (%)	Base Budget (\$)	% of Total Budget	Cumulative (%)	Base Budget (\$)	% of Total Budget	Cumulative (%)
Salaries and Benefits	127,131,190	57.0%	57.02%	129,649,339	55.5%	55.49%	131,352,974	53.8%	53.79%
Service Contracts	31,515,058	14.1%	71.2%	32,606,658	14.0%	69.4%	33,307,832	13.6%	67.4%
Long Term Debt	11,676,417	5.2%	76.4%	13,615,659	5.8%	75.3%	15,365,446	6.3%	73.7%
Reserve Contributions	5,279,114	2.4%	78.8%	5,956,724	2.5%	77.8%	6,344,492	2.6%	76.3%
Maintenance/Materials	9,977,612	4.5%	83.2%	10,016,057	4.3%	82.1%	10,176,099	4.2%	80.5%
Utilities & Fuel	8,742,193	3.9%	87.2%	9,232,331	4.0%	86.1%	9,860,021	4.0%	84.5%
Capital from Taxation	6,762,102	3.0%	90.2%	7,274,050	3.1%	89.2%	7,274,050	3.0%	87.5%
Insurance Expenses	4,662,000	2.1%	92.3%	5,133,000	2.2%	91.4%	5,610,600	2.3%	89.8%
Professional Fees	2,289,552	1.0%	93.3%	2,291,032	1.0%	92.4%	2,292,572	0.9%	90.7%
Contingency	3,090,413	1.4%	94.7%	5,880,612	2.5%	94.9%	9,465,557	3.9%	94.6%
Tax Write Offs	1,600,000	0.7%	95.4%	1,600,000	0.7%	95.6%	1,600,000	0.7%	95.3%
All Other	10,227,473	4.6%	100.0%	10,376,808	4.4%	100.0%	11,527,358	4.7%	100.0%
Total Draft Expenditures	222,953,124	100.0%	--	233,632,270	100.0%	--	244,177,001	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.

Detail on the "All Other Expenditures" is provided in the attachment under Section 4 – Base Budget Analysis & Other Information.

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 Finance and Administration Committee and Council consideration. As a result, departments submitted over 136 additional resource requests with a total cost of over \$16.7m, all of which are valued by the submitting departments. It should be noted \$1.7m in requests are fully or partially self funded, which demonstrates staff's willingness to redirect existing resources and manage their finances in a prudent manner.

Consistent with prior years and demonstrating respect for the tax payer's dollar, the Senior Management Team and the Director's Working Group reviewed, evaluated, and prioritized all additional resource requests based on their merits and the following criteria:

- Vaughan's Vision and the Corporate Planning process linkages
- Value Proposition
- Regulatory Requirements
- Risk Management
- Internal Operational Requirements
- Capital Timing and Funding Availability

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. Reducing the initial submission balance to a more manageable level was very difficult for decision makers, who were frequently faced with the dilemma of choosing between "building a progressive city" and "keeping tax rates low". 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, some redistributed within the planned years, and 53 requests or approximately \$7.8m deferred beyond the 2012-2014 plan for future budget consideration.

In many situations the result is not optimal, potentially compromising service levels, but necessary to minimize perceived tax pressures on the community. The above situation further supports the need to begin planning resources beyond a single year in order to address future opportunities and funding challenges.

The Senior Management Team's funding recommendation is a blend of both ideals driven by the following:

- Community Safety - fire operations, community enforcement & traffic management
- Essential Resources to Continue City Services – Thornhill Woods library, parks and forestry, support services, etc.
- City initiatives – zoning by-law review, operational review, electronic document management, Vaughan Metropolitan Centre, municipal sponsorship, environment action plans, etc.

	2012	2013	2014
Net Taxation Change	\$2.8m	\$2.91m	\$3.20m
Avg. Residential Tax Rate Change	1.98%	1.91%	1.99%
Avg. Residential Tax Bill Change	\$23.32	\$23.56	\$25.59

This information is important, as it provides added visibility to our community stakeholders and decision makers on the timing and resourcing of city services and initiatives. The result of the Senior Management Team's funding recommendation for 2012-214 is as follows:

2012 Additional Resource Requests

#	Note 1	Note 2	Department	Description	# of Positions	2012 Net FTE	2012 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
2012 Base Budget Increase									2.60%	2.60%
Budget Impact										
1	✓	✓	Building Standards	Zoning By-law Review	4	4.23	359,395	359,395	0.25%	2.85%
2		✓	Strategic Planning	Operational/Business review Consulting Support	-	-	130,000	489,395	0.09%	2.95%
3		✓	Development Planning	Urban Designer - VMC	1	1.00	92,856	582,251	0.07%	3.01%
4	✓		B&F	McMillan Farm Building Maintenance	-	-	35,000	617,251	0.02%	3.04%
5	✓		Parks & Forestry Ops.	McMillan Farm Land Maintenance	-	-	25,000	642,251	0.02%	3.05%
6	✓	✓	Policy Planning	Senior Policy Planner (2 yr contract) OP/OMB	1	1.00	94,879	737,130	0.07%	3.12%
7		✓	HR	Professional Fees - Engagement Survey	-	-	50,000	787,130	0.04%	3.16%
8	✓		Library	Thornhill Woods Neighb. Library - Operations	-	-	148,500	935,630	0.10%	3.26%
9	✓		Library	Thornhill Woods Neighb. Library - Staffing	9	9.02	531,946	1,467,576	0.38%	3.64%
10		✓	Access Vaughan	2 Permanent P/T Staff Access Vaughan	1	1.38	81,552	1,549,128	0.06%	3.69%
11		✓	Budgeting/Financial Plan.	Special Projects Analyst	1	1.00	95,221	1,644,349	0.07%	3.76%
12			Eco. Development	Strategy to Implement a Municipal Sponsorship Pro	-	-	55,000	1,699,349	0.04%	3.80%
13		✓	HR	Administrative Coordinator	1	1.00	81,992	1,781,341	0.06%	3.86%
14		✓	Fire Training	Training Officer	1	1.00	132,565	1,913,906	0.09%	3.95%
15			Recreation	Client Serv. Supervisor R&C - CSD (FTE Convers	1	-	19,750	1,933,656	0.01%	3.97%
16	✓		Parks & Forestry Ops.	Temporary Seasonal Employees (2012X2, 2013X2	1	1.38	63,019	1,996,675	0.04%	4.01%
17			Enforcement Services	Property Standards Officer	2	2.00	150,211	2,146,886	0.11%	4.12%
18			Parks & Forestry Ops.	10 Month Forestry Temps (Emerald Ash Borer) X2	1	1.38	49,244	2,196,130	0.03%	4.15%
19	✓		Parks & Forestry Ops.	Tree Pruning (routine street pruning)	-	-	150,000	2,346,130	0.11%	4.26%
20		✓	Library	VPL Citizen Telephone Survey	-	-	35,000	2,381,130	0.02%	4.28%
21			B&F	Facility Operator I - New City Hall	1	1.00	55,859	2,436,989	0.04%	4.32%
22	✓		B&F	Facility Operator I - Vellore Vill. CC Expansion	1	1.00	55,859	2,492,848	0.04%	4.36%
23	✓	✓	Fire Communications	Communication Operators	2	2.00	155,961	2,648,809	0.11%	4.47%
24	✓		Purchasing Services	Senior Technical Clerk	1	1.00	73,013	2,721,822	0.05%	4.52%
25			Emergency Planning	Emergency Planner (Partial FTE Conversion)	1	0.69	78,663	2,800,485	0.06%	4.58%
Total of ARRs Recommended by Senior Management Team					48	40.55	\$ 2,800,485		1.98%	

Total Tax Increase (1%=\$1,414,877)

2012 Base Budget Increase

Tax Increase due to ARRs Recommended by Senior Management Team

4.58%
2.60%
1.98%

Note 1: Indicates a minimum requirement.

Note 2: Indicates ARR has link to Vaughan Vision, strategy or master plan.

2012 Additional Resource Requests

#	Note 1	Note 2	Department	Description	# of Positions	2012 Net FTE	2012 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
2012 Base Budget Increase									2.60%	2.60%
Zero Budget Impact										
A1		✓	Dev/Trans. Eng	Manager of Transportation Engineering	1	1.00	-	-	0.00%	2.60%
A2	✓	✓	Dev/Trans. Eng	TTC/YRRT - Construction Liaison/Inspector	1	1.00	-	-	0.00%	2.60%
A3	✓		PW - Roads	Maintenance of New Pedestrian Walkway	-	-	-	-	0.00%	2.60%
A4		✓	HR	Learning & Dev. Specialist	1	1.00	-	-	0.00%	2.60%
A5		✓	Corporate Comm.	Public Relations Strategic and Media Mgmt	1	1.00	-	-	0.00%	2.60%
A6			Dev/Trans. Eng	Manager, Special Projects	1	1.00	-	-	0.00%	2.60%
A7			PW - Roads	Roads Foreperson	1	1.00	-	-	0.00%	2.60%
A8		✓	Corporate Comm.	Comm. Specialist, Client/Issue Mgmt (FTE Conversion)	1	-	-	-	0.00%	2.60%
A9			Fleet	Mechanic II (FTE Conversion)	1	-	-	-	0.00%	2.60%
A10	✓		Cultural Services	PT Graphics Services Tech. (FTE in lieu of Prof fees)	1	0.59	-	-	0.00%	2.60%
A11	✓	✓	Eco. Development	VBEC Transfer of 2 Contract Positions to FTEs (FTE Conversion)	2	-	-	-	0.00%	2.60%
A12			Reserves & Investments	Investment Software	-	-	-	-	0.00%	2.60%
A13			Policy Planning	Permanent P/T Clerk Typist	1	0.69	-	-	0.00%	2.60%
A14			ITM	Tech. Specialist DBA (FTE in lieu of Prof Fees/Conversion)	1	1.00	-	-	0.00%	2.60%
A15			Dev/Trans. Eng	Lot Grading Application Expediter	1	1.00	-	-	0.00%	2.60%
A16			Eng. Serv.	Utility Inspector	1	1.00	-	-	0.00%	2.60%
A17			ITM	Sys. Analyst/Proj. Leader (VOL) (FTE Conversion)	1	-	-	-	0.00%	2.60%
A18			ITM	Web Architect (FTE Conversion)	1	-	-	-	0.00%	2.60%
A19			Accounting Services	PT Accounting Clerk (Partial FTE Conversion)	1	0.19	-	-	0.00%	2.60%

2013 Additional Resource Requests

#	Note 1	Note 2	Department	Description	# of Positions	2013 Net FTE	2013 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
2013 Base Budget Increase									2.71%	2.71%
Impact of 2012 ARR on 2013									-0.10%	2.61%
Zero Budget Impact										
A1	✓	✓	Dev/Trans. Eng	Transportation Engineer	1	1.00	-	-	0.00%	2.61%
Budget Impact										
1	✓	✓	Building Standards	Zoning By-law Review	5	5.00	633,929	633,929	0.42%	3.02%
2		✓	Environmental Sustainability	Local action plan for reducing GHG emissions	-	-	22,500	656,429	0.01%	3.04%
3		✓	Strategic Planning	PM Software Maintenance Costs	-	-	10,000	666,429	0.01%	3.04%
4		✓	City Clerk	EDMS Business Analyst	1	1.00	118,791	785,220	0.08%	3.12%
5		✓	City Clerk	EDMS Technical SME	1	1.00	118,791	904,011	0.08%	3.20%
6		✓	Strategic Planning	On-Line Citizen Public Engagement Survey	-	-	75,000	979,011	0.05%	3.25%
7		✓	Eco. Development	Employment Zone, VMC Marketing	-	-	50,000	1,029,011	0.03%	3.28%
8	✓	✓	Development Planning	Senior Planner/Project Mgr (Contract) Hospital	1	1.00	106,631	1,135,642	0.07%	3.35%
9		✓	HR	Learning & Development Specialist	1	1.00	100,462	1,236,104	0.07%	3.42%
10	✓		Fire & Rescue Operations	STN 75 - 16 Firefighters & 4 Captains	20	20.00	1,703,727	2,939,831	1.12%	4.53%
11	✓		B&F	Facility Operator I - Fr. Ermanno CC Expansion	1	1.00	56,581	2,996,412	0.04%	4.57%
12		✓	City Clerk	Claims Analyst	1	1.00	77,319	3,073,731	0.05%	4.62%
Total of ARRs Recognized by Senior Management Team					32	32.00	3,073,731		2.02%	

Total Tax Increase (1%=\$1,524,327)

2013 Base Budget Increase

Tax Increase due to ARRs Recognized by Senior Management Team

4.62%
2.71%
1.91%

Note 1: Indicates a minimum requirement.

Note 2: Indicates ARR has link to Vaughan Vision, strategy or master plan.

2014 Additional Resource Requests

#	Note 1	Note 2	Department	Description	# of Positions	2014 Net FTE	2014 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
2014 Base Budget Increase									1.86%	1.86%
Impact of 2012-13 ARRs on 2014									0.04%	1.90%
Budget Impact										
1		✓	HR	HR Specialist, Workplace Health and Safety	1	1.00	120,997	120,997	0.08%	1.97%
2			B&F	Assistant Foreperson	1	1.00	62,687	183,684	0.04%	2.01%
3			Enforcement Services	Property Standards Officer	1	1.00	73,037	256,721	0.05%	2.06%
4			Enforcement Services	Property Standards Officer	1	1.00	73,499	330,220	0.05%	2.10%
5		✓	Parks & Forestry Operations	Community Services Asset Management Coord	1	1.00	106,365	436,585	0.07%	2.17%
6			Parks & Forestry Operations	Emerald Ash Borer (EAB) Tree Removals	-	-	460,000	896,585	0.29%	2.46%
7			Parks & Forestry Operations	Emerald Ash Borer (EAB) Tree Stump Removal	-	-	50,000	946,585	0.03%	2.49%
8			Parks & Forestry Operations	Forestry Arborist	1	1.00	69,889	1,016,474	0.04%	2.53%
9		✓	HR	HR Specialist, Absence and Disability Managem	1	1.00	92,420	1,108,894	0.06%	2.59%
10		✓	Fire & Rescue Operations	4 District Chiefs	4	4.00	538,995	1,647,889	0.33%	2.92%
11		✓	Fire & Rescue Operations	4 District Chiefs	4	4.00	538,995	2,186,884	0.33%	3.26%
12		✓	PW - Admin	Operations Review Analyst	1	1.00	94,479	2,281,363	0.06%	3.31%
13		✓	Economic & Business Develop	Business Development Officer - Advanced Good	1	1.00	90,046	2,371,409	0.06%	3.37%
14		✓	Corporate Comm.	Communications Specialist, Website Content M	1	1.00	89,320	2,460,729	0.06%	3.43%
15		✓	Corporate Comm.	Communications Specialist, Client Services	1	1.00	89,320	2,550,049	0.06%	3.48%
16	✓		PW - Roads	Roads Labourer	1	1.00	53,468	2,603,517	0.03%	3.51%
17	✓		PW - Roads	Equipment Operator II - Heavy Equipment Opera	2	2.00	138,559	2,742,076	0.09%	3.60%
18	✓		PW - Roads	Equipment Operator I	2	2.00	136,125	2,878,201	0.08%	3.68%
19			Library	eMarketing & Communications Specialist - Pilot	1	1.00	76,785	2,954,986	0.05%	3.73%
20			Parks & Forestry Operations	Additional GPS Units	-	-	30,000	2,984,986	0.02%	3.75%
21	✓		Parks & Forestry Operations	Temporary Seasonal Employees (2012X2, 2013	1	1.38	63,467	3,048,453	0.04%	3.79%
22		✓	HR	Awards Budget Increase	-	-	15,000	3,063,453	0.01%	3.80%
23			Cultural Services	Diversity & Inclusivity Signage and Communicat	-	-	75,000	3,138,453	0.05%	3.85%
Total of ARRs Recognized by Senior Management Team					27	27.38	3,138,453		1.95%	

Total Tax Increase (1%=\$1,611,630)

2014 Base Budget Increase

Tax Increase due to ARRs Recognized by Senior Management Team

3.85%

1.86%

1.99%

Note 1: Indicates a minimum requirement.

Note 2: Indicates ARR has link to Vaughan Vision, strategy or master plan.

Additional information on the 2012-2014 resource requests are provided in the Operating Plan Package attachment:

- Section 5 - Additional Resource Request Lists
- Section 8 – Department Information (Financials, Business Plans, & Request Submissions)

Relationship to Vaughan Vision 2020

The Draft 2012 Operating Budget and 2013-2014 Operating Plan 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 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. The resulting outcome of above efforts is illustrated below in the building the budget diagram.

BUILDING THE BUDGET

Components	2012			2013			2014		
	Rate Incr.	\$(m)	Bill Incr.	Rate Incr.	\$(m)	Bill Incr.	Rate Incr.	\$(m)	Bill Incr.
Base Budget	2.62%	3.70	30.84	2.65%	4.04	32.62	1.27%	2.05	16.40
				<i>(see note)</i>			<i>(see note)</i>		
ARR	1.98%	2.80	23.32	1.91%	2.91	23.56	1.99%	3.20	25.59
Subtotal	4.60%	6.50	54.16	4.56%	6.95	56.18	3.26%	5.25	41.99
<i>Hospital Levy</i>	<i>0.91%</i>	<i>1.29</i>	<i>10.72</i>	<i>0.91%</i>	<i>1.38</i>	<i>11.02</i>	<i>0.00%</i>	<i>-</i>	<i>-</i>
Grand Total	5.51%	7.79	64.88	5.47%	8.33	67.20	3.26%	5.25	41.99

Please note: The 2013 & 2014 base budget rate increase is adjusted down as a result of the inclusion of prior year ARR requests.

Attachments

Attachment: 2012-2014 Operating Plan Package (Available in the Clerk's Department) [Click Here](#)

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

Marlon Kallideen
Commissioner of Community Services

Janice Atwood-Petkovski
Commissioner of Legal and Administrative Services,
City Solicitor

John MacKenzie
Commissioner of Planning

Paul Jankowski
Commissioner of Engineering and Public Works

John Henry, CMA
Director of Budgeting & Financial Planning