



**CITY OF VAUGHAN
SPECIAL COUNCIL MINUTES (1)
JUNE 14, 2007**

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CITY OF VAUGHAN
SPECIAL COUNCIL MEETING (1)

THURSDAY, JUNE 14, 2007

MINUTES

7:00 P.M.

Council convened in the Municipal Council Chambers in Vaughan, Ontario, at 7:05 p.m.

The following members were present:

Mayor Linda D. Jackson, Chair
Regional Councillor Joyce Frustaglio (7:20 p.m.)
Regional Councillor Mario F. Ferri
Regional Councillor Gino Rosati
Councillor Tony Carella
Councillor Bernie Di Vona
Councillor Peter Meffe
Councillor Alan Shefman
Councillor Sandra Yeung Racco

118. CONFIRMATION OF AGENDA

MOVED by Councillor Carella
seconded by Regional Councillor Ferri

THAT the agenda be confirmed.

CARRIED

119. DISCLOSURE OF INTEREST

There was no disclosure of interest by any member.

120. AMENDMENTS TO SCHEDULES "L" AND "K" OF FEES BY-LAW NO. 396-2002

No one appeared either in support of or in opposition to this matter.

MOVED by Councillor Carella
seconded by Councillor Yeung Racco

That the recommendation contained in the following report of the Commissioner of Engineering and Public Works, dated June 14, 2007, be approved:

CARRIED

Recommendation

The Commissioner of Engineering and Public Works recommends that:

1. Schedule "L" of By-law No. 396-2002 (as amended by By-law No. 286-2004), be further amended so that the unit price for backyard composters reads "Cost minus \$10 each," and

2. The fee for a Municipal Consent as listed in Schedule K of the Fees and Charges By-Law 396-2002 be increased from \$260 to \$405.

Economic Impact

On average, less than 200 backyard composter units are sold per year. This wording change will have no impact on the 2007 draft budget, but will result in an increase of \$2 per composter unit when sold to residents.

There could be an increase to revenue generated through Municipal Consent applications which is estimated to be approximately \$12,615. This figure is based on 87 Municipal Consent applications processed in 2006.

Communications Plan

The revised prices for composters will be advertised in the upcoming collection schedule, the Greening Vaughan web site, as well as through notices in the City Page.

The amendments for the Fees and Charges By-Law 396-2002 will be advertised per City policy in the local news papers and the City's web site.

Purpose

To amend the Fees and Charges By-law to allow the Public Works Department to sell backyard composters at a price reflective of the cost to the City, minus a \$10 subsidy per unit. This revised price(s) will in be in keeping with the recommendation approved by Council in 2003 allowing for a \$10.00 subsidy per backyard composter.

To seek Council approval to increase the fee for a Municipal Consent as listed in Schedule K of the Fees and Charges By-Law 396-2002 from \$260 to \$405 to reflect the cost of providing the service.

Background - Analysis and Options

Schedule L

On February 10, 2003, Council approved a report entitled "Steps to Increase Waste Diversion". Of particular relevance was the recommendation, "That the sale of backyard composters be subsidized at a rate of \$10.00 per composter". At the time of that report, the cost to the City for backyard composters was approximately \$25 per unit. With the implementation of the \$10 subsidy, the sale price to the residents was \$15 per unit. Currently, the Fees and Services By-law identifies the price of backyard composters as \$15 per unit.

Since the time of the February 10, 2003 report, the cost of the backyard composters has increased slightly. This price increase is reflective of the higher costs associated with purchasing raw materials (petroleum based products) to manufacture plastic products like backyard composters. In 2007, the cost to the City to purchase backyard composters is \$27 per composter. In keeping with the \$10 subsidy approved in 2003, this would increase the price of the composters from \$15 to \$17 per unit.

Although the price the City pays for the composters does not change too frequently, the recommendation permitting the "Cost, minus \$10 each" will allow for City staff to alter the price of the backyard composters as necessary without having to amend the by-law. This would ensure that the price of the composter is always consistent with the 2003 recommendation providing for a \$10 subsidy per composter.

Schedule K

The Municipal Consent is a service provided by the Utility Coordinator within Engineering Services Department. It represents the technical review of the proposed location of new plant by Utility

Companies, ensuring that spatial and technical requirements within the City's rights-of-way are maintained and properly managed.

The Engineering Services Department has been in lengthy negotiations with telecommunications companies to enter into a Municipal Access Agreement (MAA) with the City.

At the time that City Departments were solicited for amendments to the schedules of the Fees and Charges By-Law 396-2002, the fee for a Municipal Consent was under negotiation. The historical fee within the current By-law was approved by Council and is set at \$260.

Discussions with the major telecommunications companies have set the revised Municipal Consent fee at \$405. Agreements executed by Rogers Cable Communications Inc. and Bell Canada are now with the City for our execution.

It is prudent to amend our fee for Municipal Consent at this time.

Relationship to Vaughan Vision 2007

This report is consistent with the priorities previously set by Council and complies with Vaughan Vision, specifically Vaughan Vision A "Serve our Citizens" and B "Manage our Resources".

Regional Implications

None.

Conclusion

The proposed amendment to the Fees and Charges By-law will allow the City to sell backyard composters at cost, less \$10/unit, and is in keeping with Council's previous intent to subsidize the cost by a set amount. Although the price of the composters has remained fairly steady from year to year, the "Cost minus \$10" will allow City staff to alter the price of composters without the need for a staff report being prepared every time the price of backyard composters increases or decreases.

Municipal Access Agreements with Rogers Cable Communications Inc. and Bell Canada have established an increased fee for a Municipal Consent, set at \$405. It is therefore prudent to amend the fee for a Municipal Consent as listed in Schedule K of the current Fees and Charges By-Law 396-2002 from \$260 to \$405.

Attachments

None.

Report prepared by:

C. Kirkpatrick, C.E.T., M.C.I.P.
Denny S. Boskovski, C.E.T., Supervisor, Infrastructure Management, ext. 3105

121. USER FEE/SERVICE CHARGE REVIEW

No one appeared either in support of or in opposition to this matter.

MOVED by Councillor Di Vona
seconded by Councillor Yeung Racco

- 1) That the proposed User Fees and Charges outlined in Attachment 1 of the following report of the City Manager, dated February 20, 2007, be approved with the following amendments:

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- a) The Private Property Tree Protection permit application fee of \$100 be included on Schedule “J”;
 - b) The fee for Municipal Consents be increased from \$260 to \$405 on schedule “K”; and
 - c) The charge for Back Yard Composters be changed from “\$15 each” to “Cost minus \$10 each” on Schedule “L”; and
- 2) That the memorandum from the Commissioner of Community Services, dated June 14, 2007, be received.

CARRIED

Council, at its meeting of May 7, 2007, adopted in part:

That the proposed User Fee/Service Charges be approved and referred to a Special Council meeting on May 22, 2007 to receive public input. (Item 1, Budget Committee Report No. 6)

Report of the City Manager dated February 20, 2007

Recommendation

The City Manager recommends:

That the increases in user fees and service charges outlined in Attachment 1 and have been incorporated into the Draft 2007 Operating Budget be received for information and input.

Economic Impact

The proposed economic impact will be \$68,820.00. A general contingency was included in the original 2007 Draft Operating Budget presented on February 6th to account for anticipated user fee and service charge amendments.

Purpose

The purpose of this report is to provide the Budget Committee with information on proposed changes to user fees and service charges which have been included in the draft budget.

Background - Analysis and Options

Inherent in the 2007 Budget process is a continued emphasis on maximizing the cost recovered on services provided. In addition to adjusting revenues for anticipated changes in activity volume, departments were requested to increase user fees and service charges in relation to department cost increases.

As a result, all fees and charges were increased at minimum by a rate equivalent to inflation unless otherwise specified by departments charging the fee and with exception to fees & charges currently part of ongoing studies (e.g. planning, recreation, licensing, etc).

The budget impact associated with the above noted increases has not yet been included in departmental 2007 draft operating budgets, with exception for Council approved fee increases (i.e. Recreation). However, a general contingency has been provided for in the 2007 draft operating budget to account for anticipated user fee and service charge amendments. This balance will be reallocated to the appropriate departments prior to the public forums.

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Enclosed in Attachment 1 are the department recommended amendments to the City's user fees and service charges for the Budget Committee's review. The explanations related to user fee/service charge amendments are provided by the respective Commissioner and Department.

Formal User Fee/Service Charge Studies

In addition the user fees in Attachment 1 there were a number of user fees based on detailed studies. Some user fees studies were as a result of legislative requirements and staff initiated a number of other in-depth studies. Detailed below is a brief synopsis of the user fee/service charge studies that have been performed:

Formal User Fee/Service Charge Studies

Building Standards – Effective July 1, 2005, Bill 124 required that municipalities limit the charges for Ontario Building Code related fees to not exceed the cost of issuing a building permit. The legislation allowed for the inclusion of direct costs, indirect costs and the establishment of a reserve. Traditionally, building permit revenue was a large source of revenue and this revenue was used to subsidize the Planning Act portion of the development application approval process. CN Watson was retained to assist staff in the cost justification for building permit processing. This study was completed and the outcomes presented to Council.

Planning / Committee of Adjustment – As a result of the elimination of the cross subsidization of building permit revenue offsetting the costs of processing Planning Act and Committee of Adjustment fees, a review of the costs associated with these fees was undertaken. In conjunction with the costing exercise required for Bill 124, CN Watson was engaged to assist staff in the determination of total costs for the Planning Act and Committee of Adjustment fees. This study was completed and the outcomes presented to Council. As a result of this study, a subsequent study on individual planning fees by application type is currently in process and a report on those findings is anticipated in early 2007.

Licensing – The Municipal Act, brought into effect in 2003 required that licensing fees should not exceed the costs of providing the service. Legislation stipulated that the total amount of fees to be charged shall not exceed the costs directly related to the administration and enforcement of the by-law. CN Watson was retained to assist staff in the determination of costs based on the New Municipal Act. This study was completed and the outcome presented to Council.

Recreation – In 2005, Recreation staff retained the IBI Group to undertake a costing and pricing study and to prepare a user fee policy that would guide the City's annual fee schedule. On January 24, 2006, staff reported to Council on the results of the study and recommended a three year fee schedule with associated policies. Recreation fees were grouped into service categories with targeted recovery polices for each group. The overall goal is to achieve department cost-revenue neutrality.

Summary of User Fees Based on Studies

Below is a summary of the 2007 revenues associated with each of the above detailed studies.

<u>User Fees Based on Studies</u>	<u>Associated Revenues</u>	<u>% of Total</u>
Building Standards - Building Code Fees	\$ 9,619,750	28%
Planning / COA Fees	5,045,600	14%
Licensing Fees	744,400	2%
Recreation Fees	14,812,995	43%

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Total User Fees Based on Studies	30,222,745
Total 2007 Draft Operating Budget Department User Fees	34,811,175
% Associated With Studies	87%

As indicated above, 87% of the 2007 Draft Operating Budget department user fees and service charges are based on detailed and extensive studies.

Relationship to Vaughan Vision 2007

This report is consistent with the priorities previously set by Council.

Conclusion

A user fee and service charge review has taken place and results are provided as Attachment #1.

Attachments

Attachment 1 – Proposed User Fee/Service Charge Amendments
Attachment 2 – Council Extract, May 7, 2007

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

122. UTILITY COORDINATOR

No one appeared either in support of or in opposition to this matter.

MOVED by Regional Councillor Ferri
seconded by Regional Councillor Rosati

That the recommendation contained in the following report of the Commissioner of Engineering and Public Works, dated June 14, 2007, be approved:

CARRIED

Recommendation

The Commissioner of Engineering and Public Works recommends that:

1. That this report be received for information; and
2. That the contract position of Utility Coordinator be converted to a permanent full time position.

Economic Impact

There is no additional economic impact for the Utility Coordinator position as the necessary funds have been accounted for in 2007 Draft Operating Budget.

The Utility Coordinator position (Level J) is estimated to cost the City up to \$110,000 annually, which accounts for the position's salary, benefits, entitlements, computer, equipment and vehicle.

The position is primarily funded from fees collected through Municipal Access Agreements (MAA) with utility companies, Road Occupancy Permits (ROP) and Municipal Consent Applications (MC). Based on the current level of activity by utility companies, it is estimated that the fees will generate \$95,800 annually.

The City has collected approximately \$292,905 in permit and consent fees for years 2004 through to 2006.

Communications Plan

A Communications Plan is not required for this item.

Purpose

To obtain Council approval to convert the 3-year term contract position of Utility Coordinator to a permanent full time position. The Utility Coordinator approves and monitors construction activity by utility companies and others within the City's road rights-of-way.

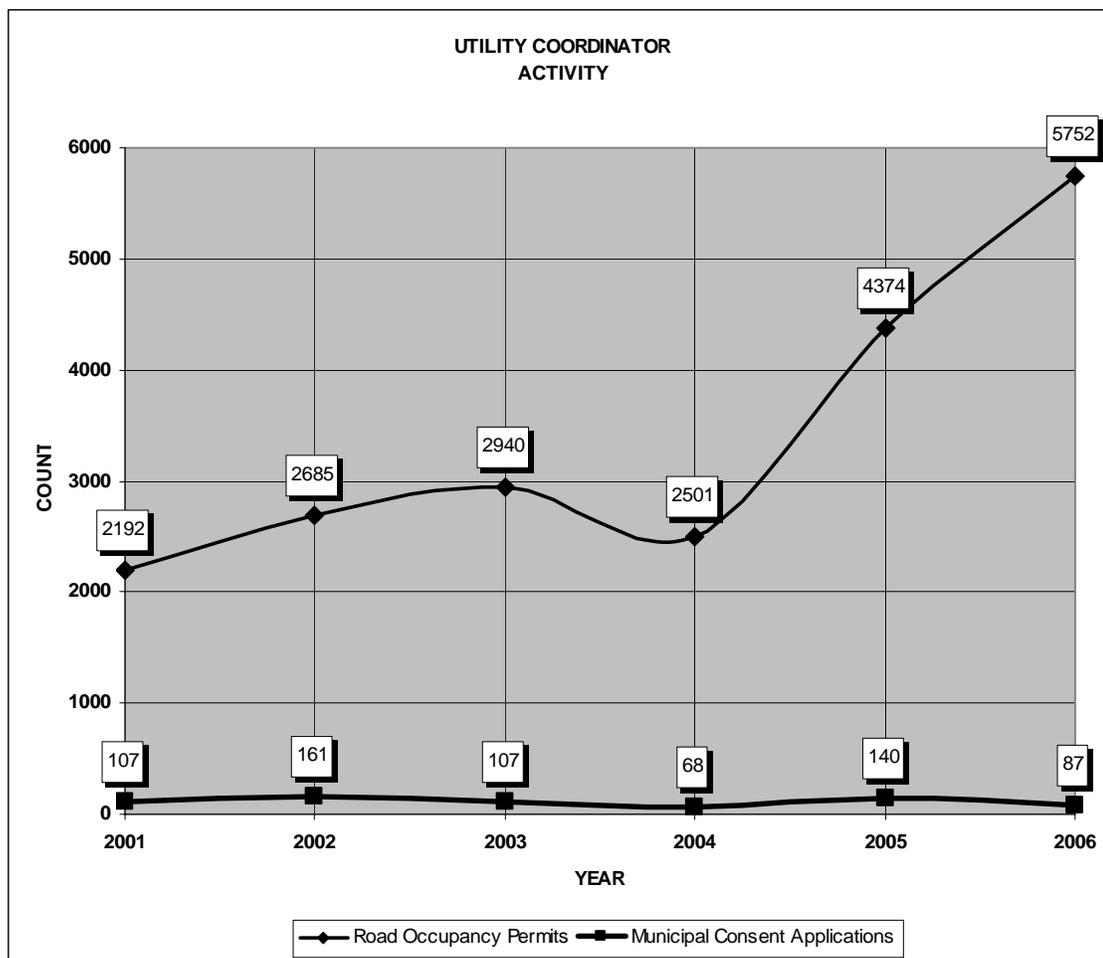
Background - Analysis and Options

The approval of all construction activity by utility companies (telecommunications, cable, gas, hydro, etc.), their subcontractors and others within the City's road rights-of-way is the responsibility of the Engineering Services Department. Prior to June 9, 2003, this responsibility was divided amongst several staff within the department as secondary job functions. Furthermore, no staff resources were available to monitor and inspect construction activity in the field or to coordinate City and utility capital infrastructure programs through the Vaughan Utility Coordinating Committee.

Item 10, Report No. 46 of the Committee of the Whole (Closed Session) on June 9, 2003, Council approved the new position of the Utility Coordinator for a 3-year term contract. The position was approved on the basis that:

- demand for utility coordination services has exceeded the departments ability to provide through current staff complement and a new compliment was required;
- field construction activities would be inspected regularly;
- complaints from the public would be addressed effectively;
- fees collected through Road Occupancy Permits, Municipal Consent Applications and Municipal Access Agreements would directly offset the cost of the position's salary, benefits, entitlements, computer, equipment and vehicle.

Overall Utility Coordination activity has generally increased from 2001 through 2006. During this period, Road Occupancy Permit activity has grown from 2192 to 5752 annually and the number of Municipal Consent Applications in the same period have held steady ranging from 107 to 87 annually. The chart below outlines the year to year comparison of activity.



Since filling the Utility Coordinator position, approximately \$292,905 in permit and consent fees for years 2004 through to 2006 have been collected as follows:

Company	2004	2005	2006	Total
Bell Canada	\$40,150	\$35,058	\$35,762 ¹	\$110,970
Rogers Cable	\$58,975 ²	\$61,220 ¹	\$51,600 ¹	\$171,795
Other ³	\$3,900	\$3,440	\$2,800	\$10,140
Total	\$103,025	\$99,718	\$90,162	\$292,905

Notes:

¹ – Includes a negotiated bulk Road Occupancy Permit lump sum fee that will be received upon execution of the Municipal Access Agreement;

² – Includes a negotiated settlement with Rogers Cable

³ – Companies such as Allstream, FCI Broadband and Pool/Landscape Contractors.

The City has recently negotiated Municipal Access Agreements with Rogers Communications Inc. and Bell Canada which provide for a 'bulk' Road Occupancy Permit lump sum fee and a Municipal Access Administration fee.

The estimated fees to be collected starting in 2007 are \$95,800.

Electricity utility companies are required to have permits and consents for their activities within the City. They are exempt from paying fees for these services through their governing Electrical Act.

Gas utility companies are also required to have permits and consents for their activities within the City and are also exempt from paying fees for these services through their Franchise Agreement with the City. Gas utility companies pay a tax to the City based on the amount of pipeline plant within the City.

Funds for the Utility Coordinator position are included in the 2007 base budget and there is no additional budget implications. The position has been approved in previous Operating Budgets and staff complement will remain unchanged with its conversion from a contract term to permanent status.

Relationship to Vaughan Vision 2007

This report is consistent with the priorities previously set by Council.

Service Delivery Excellence

We are able to develop and establish service level standards that are sustainable and provide effective and efficient delivery of service in monitoring, inspecting and responding to complaints related to utility construction

Manage our Resources

The City is able to provide for a service that is recoverable through fees collected from the position's function.

Regional Implications

There are no Regional implications.

Conclusion

The Utility Coordinator is an essential position to the staff complement of the Engineering Services Department and funding is already in place to support this position. Having dedicated staff resources to approve and maintain all construction activities within the City's road rights-of-way improves service to both utility companies and the public, specifically in areas of monitoring, records, complaint resolution, health and safety, site restoration.

Without this staff position, the Engineering Services Department will not be able to effectively manage the road rights-of-way through processing permits and consent applications as required by utility companies and therefore justify the associated service fees, nor be able to monitor and inspect construction activity to ensure proper restoration of the City's boulevards.

Attachments

None.

Report prepared by:

Denny S. Boskovski, C.E.T., Supervisor, Infrastructure Management, ext. 3105

DSB/mc

123. PROPOSED 2007 OPERATING BUDGET

MOVED by Councillor Di Vona
seconded by Regional Councillor Ferri

That the recommendation contained in the following report of the Budget Committee, dated June 14, 2007, be approved:

CARRIED

Recommendation

The Budget Committee recommends:

- 1) That the following report and presentation on the Proposed 2007 Operating Budget be received;
- 2) That the deputations from the public be received; and
- 3) That the Proposed 2007 Operating Budget be approved subject to any changes as a result of public input.

Economic Impact

The attached Proposed 2007 Operating Budget, Attachment 1, reflects the requirement for a taxation funding increase of \$4.5m, which equates to a 4.43% tax increase or approximately a \$44.64 property tax increase on the average home assessed at \$412,070.

Communications Plan

Budget forums with the objective to obtain public consultation into the 2007 Operating budget were held March 19 at the Garnet Williams Community Centre, March 28 at Al Palladini Community Centre and April 11 at the Civic Centre. The budget forums were generally well attended and input was received.

Following Council approval of the budget, the appropriate press releases will be distributed per the City's policy. Key information will also be provided on the City's WEB site and the fact sheets will be provided to key stakeholders, Rate Payers Associations and the Chamber of Commerce.

Purpose

The purpose of the public meeting is to obtain public input and to provide the public with an overview of the Proposed 2007 Operating Budget, the major issues the municipality is facing and the impact on taxes to an average household in Vaughan.

Background - Analysis and Options

**2007 Budget Process
Designed to Maintain Service Levels with Minimum Impact on Taxes**

The City of Vaughan continues to be subject to the many factors that put significant pressure 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. The impacts of these pressures are often permanent and therefore require permanent funding solutions to ensure public services are sustainable in the future. The above situation presents significant challenges to achieving a balanced budget while minimizing associated tax rate increases and achieving Council's priorities.

Recognizing the continuation of budgetary challenges, the budget process and guidelines were further refined to incorporate a more comprehensive base budget review. This was accomplished through a combination of the following:

1. Strict Budget Guidelines to limit cost increases

2. Separate review process to assess Additional Resource Requests
3. The incorporation of Business Planning & associated service reviews
4. Expanded use of Performance Measures
5. Public Information/Consultation Forums

Comments with respect to each of these actions are provided in the following paragraphs.

1. Strict 2007 Budget Guidelines to Limit Cost Increases

Strict Operating Budget Guidelines were established by the Budget Committee to minimize the budgetary impact on the tax rate for 2007. These guidelines included freezing most account lines to 2006 levels with the exception of the following:

- Salary and benefits relating to previously approved employment agreements.
- Principal and Interest payments required to repay long-term debt
- Full year impacts of previously opened new facilities
- External contract price and volume increases
- Insurance impacts
- Utilities Increases

In addition to the above expenditure constraints, instructions were also provided that User Fee rates were expected to increase if departmental costs for the service provided were increasing. These User Fee instructions combined with the above expenditure limitations were designed to minimize the tax rate increase.

As part of the 2007 budget process, staff undertook an analysis of the Operating Budget to assess efficiency and ensure conformity with approved Operating Budget Guidelines. Staff approached this task by analyzing major department increases, specific expenditure types, department user fee recovery ratios, and overall budget reasonability. In addition, the performance measurement exercise initiated last year as part of the budget process has been expanded. It is discussed further under section 4 detailed below.

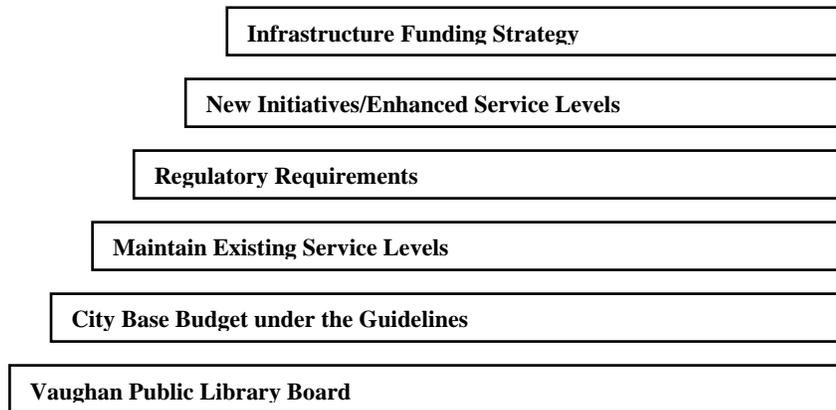
2. Separate Review Process to Assess Additional Resource Requests

Recognizing that freezing account lines for an extended period of time may potentially prevent departments from maintaining service levels or restrict the efficient operation of a department, the above guidelines were complimented by a process that allowed departments to formally submit requests for essential resources not permitted within the guidelines. Senior Management and/or Council consideration/approval is required with respect to the additional requests. Council approval is specifically required when, new staff resources are requested, there is a change in service levels or new initiatives are brought forward. These requests are not included in the Proposed 2007 Base Operating Budget. They are identified separately.

- Additional Resource Requests – Special or unique requirements not accommodated within existing guidelines requiring SMT and/or Council review and approval. Some requests were not approved. The additional resource requests are divided into the following subcategories:
 - Infrastructure Funding Strategy
 - New Initiatives/Enhanced Service Levels
 - Regulatory Requirements
 - Maintaining Service Levels
- Base Budget - Budget submissions based on approved guidelines

Senior Management and Budget Committee have since reviewed the Additional Resource Requests and this topic is further outlined in another section of this report.

The Proposed 2007 Operating Budget is presented as a series of building blocks as follows.



3. The Incorporation of Business Planning & Associated Service Reviews

New to the Operating Budget Process is the inclusion of Business Plans as required departmental submissions. The 2005–2007 Corporate Business Planning Process complements the Operating Budget Process by providing comprehensive department information on work plans, goals, and key performance indicators. In addition, linking Business Plans to the Operating Budget provides a framework to assess and demonstrate the efficiency and effectiveness of business operations and can assist stakeholders, SMT, and Council analyze and evaluate the feasibility of departmental budget increases and base budgets during budget deliberations.

4. Expanded Use of Performance Measures

Prior to assigning Additional Resources or recommending any increase in User Fees or property taxes it is important to determine if the resources currently assigned are being utilized efficiently. In early 2005 staff initiated work to formally incorporate Performance Measures into the budgeting process. The purpose was to over time build objective comparative data that could be used to assist in evaluating the efficiency of various operations within the City. As part of the 2007 Budget Process the list of services providing performance measures was expanded.

The results of the Performance Measurement program were discussed in a separate report prepared by Strategic Planning and received by Council on February 12th, 2007.

5. Public Information/Consultation Forums

New to the Budgeting Process is the addition of Public Information/Consultation Forums in the community. At the February 5, 2007 Committee of the Whole meeting Mayor Jackson introduced an item with respect to obtaining public consultation into the 2007 Budget Process. Previously, as part of the City's Budget Process, a series of public Budget Committee meetings were held at the Civic Centre. This year the objective was to host three Budget Forums to engage the public in the community, rather than at the Civic Centre. The three meetings were held at Garnet A. Williams Community Centre on March 19th, Al Palladini Community Centre on March 28th, and the Civic Centre on April 11th. All forums were held in the evening.

In addition to the City, the York Region Separate and Catholic Schools Boards and the Region of York were invited to attend.

To achieve the maximum benefit from the forums the objective was two-fold as follows:

1. Educate and inform the public regarding City services, their cost, municipal issues and their relationship with property taxes; and

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2. Obtain input and feedback from the public with respect to the range of services offered, service levels, priorities, etc.

Although the Forums were generally open to all input from the public, the intent was to get feedback with respect to the services provided by the City and whether or not residents believe they are getting value for their property tax dollar. Three questions were posed to the audience:

1. Are we providing the right **local** services?
2. Are **local** services provided at the appropriate level?
3. Are you getting value for your **local** property tax dollar?

Generally the forums were well attended and helpful feedback was received. As a general overview residents did not express any concern with the overall services provided or the administration of the City. The comments tended to relate to very specific issues or projects. A number of the requests are incorporated into the 2007 Budget as reported to the April 23rd Budget Committee.

Quick Facts

The following information is provided for quick reference to assist in providing Council members with a context within which to assess the budget.

Average residential assessment	\$412,000
Total 2006 Taxes levied on the average assessed home	\$4,045
City of Vaughan portion (25%)	\$1,007
Reduction for qualifying seniors	\$250
A 1% increase in the tax rate equals	\$1,014,073
Impact of a 1% increase on the average home	\$10
Assessment Growth	3.4%

2007 Base Budget Under the Guidelines

Based only on the Budget Guidelines the City's Proposed Operating Budget is approximately \$174.7M. On a net basis this reflects a \$2.7m funding increase over 2006. This equates to a 2.6% tax rate increase **excluding** the budget impact of the Budget Committee's recommended additional resource requests and decision with respect to an infrastructure funding strategy. The Proposed 2007 Operating Budget includes an anticipated \$2.5m surplus carried forward from 2006 and includes the Budget Committee's recommendation to draw \$3.2m from the Tax Rate Stabilization Reserve. To assist Council in assessing the Base Operating Budget and the 2.6% tax rate increase resulting from the budget guidelines, the following summary is provided.

<u>Allowable Department Expenditure Increases</u>	<u>Avg. \$ Impact.</u>	<u>Tax Rate Impact</u>
Salary and benefit increase	\$2.5m	
Service contact price and volume increases	\$1.3m	
Utilities price and volume increases	\$0.6m	
<u>Recoveries and other expenditures</u>	<u>\$0.1m</u>	
Total Department Expenditures Increase	\$4.5m	
<u>Less: Increase in fees & service charges</u>	<u>\$2.0m</u>	
Net Department Impact	\$2.5m	2.5%
Contingency	\$2.5m	2.5%
Long Term Debt	\$1.0m	1.0%
Tax rate stabilization reduction	\$1.0m	1.0%
<u>Other</u>	<u>(\$0.8m)</u>	<u>(0.9%)</u>
Net Impact	\$6.2m	6.1%

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Less: Assessment Growth	\$3.5m	3.5%
Total (Includes provisions for labour negotiations)	\$2.7m	2.6%

An integral component of the 2007 Operating Budget Guidelines is the freezing of most account lines outside of the specific areas previously outlined in this report. In order to check adherence to this guideline, budget submissions were verified to ensure that there were no other increases or that any budgetary increases were offset by corresponding decreases in other line items. Through budget staff review of submissions and assurances from Commissioners and Directors, we have a very high level of confidence that approved guidelines are being followed. The Budget Guidelines were designed to limit expenditure increases and this exercise has been successful as demonstrated by a total department expenditures increase of only 3%.

Base Budget Revenue Review

Overall revenues increased just under a \$1M from 2006 levels, excluding assessment growth. The primary factors contributing the increase in revenue are as follows.

- The most notable increase in revenues is the \$1.1m increase in Planning revenues resulting from returning volumes and Council's direction with respect to cost recovery in the planning process. The additional budgeted revenue will improve the cost recovery ratio increasing it from 74% to 93%. However, the approved Additional Resource Requests discussed later in the report adjust the recovery ratio to approximately 90%. Staff are preparing a further report to refine planning fees by type of Planning Application.
- Budgeted revenue gains were also experienced in the Recreation Department resulting from continued implementation of Recreation & Cultural User Fee & Pricing Policy. Overall revenues have increased \$1m, which are met with corresponding department expense increases of \$600k, excluding the impact associated with ongoing Labour negotiations. Although the Recreation Department cost recovery ratio has marginally improved, further effort to increase fees and/or reduce costs will be required to achieve 100% cost recovery of direct costs.
- Property tax fines and penalties increased approximately \$500K to keep in line with the growing tax base and to better reflect historical trends.

The above revenue increases were partially offset by reductions in tax rate stabilization funding and adjustments to specific department revenue projections. Further details on these increases are illustrated below.

- The largest reduction in revenue is related to the rolling back of tax rate stabilization funding. On May 1st the Budget Committee proposed a two year phase in plan to reduce dependence on tax rate stabilization funding to prior year recommended levels. The impact is a reduction from \$4.3m to \$3.2m, which is necessary to prevent a reliance on unsustainable funding and retain the reserve balance for extraordinary circumstances.
- Some departments submitted revenue projections below 2006 budget levels. The most notable is a \$400k reduction in Enforcement Services revenue and a \$178K reduction in Fire and Rescue Services revenue, both of which are department budget adjustments to reflect volume decreases.

A concern that revenue might not keep pace was anticipated and as a result the guidelines included a requirement for fees to be increases in relation to the increase in associated costs. As a result of the departmental submissions not adequately addressing User Fees, departments were subsequently directed to increase all User Fees by an amount equal to inflation. The only exception to this process were User Fees currently part of a separate study (i.e. Planning fees, Building Permit fees, Recreation fees) or instances where a department recommended that a fee not be increased and provided a rationale. This exercise reduced the Draft Operating Budget by approximately \$100K.

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It is important to recognize, there is an ongoing balance between funding through a user 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 is a requirement to raise the property tax rate.

Base Budget Expenditure Review

Total expenditures increased \$7.1m from 2006 levels. A significant portion of the above increase is associated with labour costs as per recognized agreements (i.e. economic adjustments, progressions for new hires, job evaluation, and benefits impacts). The next major expenditure increase is due to contracted services. These increases are typically the result of increasing demands on public provided services due to volume growth and contractual or industry price increases, and the full year implementation of the Green Bin Organic Collection Program, which contributed \$915K to the overall increase in contracted services. Finally the repayment of long term debt increased \$1m. Debt has previously been issued primarily to fund major roads projects. Based on the above, it is evident that the \$3.5m in assessment growth is insufficient to fully offset these costs.

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

<u>Operating Expenditures</u>	<u>2007 Draft Budget</u>	<u>%</u>	<u>Budget</u>	<u>Cumulative %</u>
Salaries and Benefits	\$95.6m		54.7%	54.7%
Contracted Services	\$20.9m		12.0%	66.7%
Reserve Contributions	\$11.4m		6.5%	73.2%
Maintenance/Materials	\$8.7m		5.0%	78.2%
Capital from taxation	\$6.7m		3.8%	82.0%
Utilities	\$5.9m		3.4%	85.4%
Long Term Debt	\$5.7m		3.3%	88.7%
Contingency	\$2.9m		1.7%	90.3%
Insurance	\$2.1m		1.2%	91.5%
Professional fees	\$1.6m		0.9%	92.4%
Tax Write-Offs	\$1.3m		0.7%	93.2%
Vaughan Hockey Subsidy	\$1.1m		0.6%	93.8%
All Other	\$10.8m		6.2%	100.0%
Total Draft 2007 Expenditures	\$174.7m		100.0%	100.0%

The above summary illustrates that the City has limited flexibility in any given year to significantly alter the City's cost structure. Many of the costs are committed through collective agreements or service contracts. Other reductions will impact the maintenance and repair of the City's infrastructure. The following summary of specific expense lines illustrates that many of the discretionary expense lines are decreasing and not increasing, indicating further cost absorption and heightened efficiency.

<u>Account</u>	<u>2007 Draft Budget</u>	<u>2006 Budget</u>	<u>Variance</u>
Advertising	350,199	326,195	24,004
Comp. Hardware/Software	949,950	994,070	(44,120)
Cellular	202,515	181,835	20,680
Office Equipment	179,060	230,005	(50,945)
Office Supplies	267,515	350,730	(83,215)
Overtime	896,780	993,160	(96,380)
Training & Development	421,660	422,945	(1,285)
Corporate Training	49,790	49,790	---
Professional fees	1,647,415	1,702,450	(55,035)
Part-time	11,422,775	11,067,360	355,415
Total	16,387,659	16,318,540	69,119

With the exception of advertising, cellular and part-time all other account lines are below 2006 budget levels. The increase in part-time is primarily attributed to 3 factors, increases in recreation programs that are offset by revenue, part-time increase approved by the Library Board, and part-time compensation adjustments as per existing agreements. The increase in advertising is related to the recently approved Corporate Communications Advertising Schedule. The increase in cellular account lines is the result of a reallocation of funds from other expense accounts to more accurately align budgets with actual results. As illustrated by the above table, the net 2007 impact associated with these accounts is an increase of \$69,119 over the prior year.

The above expenditure analysis is intended to demonstrate that expenditures are closely monitored and have met the strict criteria as set out by Council. Resource requests outside the guidelines are discussed below.

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 above guidelines for Senior Management and/or Council further consideration. A business case and/or justification memo were required for all requests and submitted as one of the following classifications.

- o New Complement Requests
- o Request for Increases in Expenses Other Than Allowable under the Guidelines
- o New Initiatives/Service Level Adjustments
(Request may include associated new complement requests)

As a result, Departments submitted 77 Additional Resource Requests with a total annual cost of approximately \$4.4 million, which translates into an additional tax rate increase of approximately 4.3%.

Recognizing the challenge of balancing requests for additional resources with limited funding options, SMT initiated a process in which to prioritize and review Additional Resource Requests. The process infuses a high degree of objectivity & transparency and the end result of this process is a recommended listing of Additional Resource Requests prioritized based on a blend of associated municipal risk and the Vaughan Vision goals and objectives. Senior Management reviewed all Additional Resource Requests and proposed the resulting recommendations, which were approved by Budget Committee on April 17th. A summary of the results is provided below.

	<u>Departmental Requests</u>	<u>SMT Recommended</u>	<u>Net Reduction</u>
New Initiatives/Enhanced Service Levels	\$1.5m	\$0.5m	\$1.0m
Regulatory Requirements	\$0.6m	\$0.6m	----
Maintain Service Levels	<u>\$2.3m</u>	<u>\$0.8m</u>	<u>\$1.5m</u>
Total	\$4.4m	\$1.9m	\$2.5m

The above figures represent annual costs, which can be adjusted for new complement gapping. However it should be noted, that although gapping impacts the 2007 Budget favourably, the balance of the costs will impact the 2008 Budget.

On April 23, 2007 Council approved the Budget Committee’s recommended Additional Resource Requests and on May 7th, Council approved the Budget Committee’s recommendation to gap additional resource requests by \$112,000.

Business Planning

As previously indicated, Business Plans are incorporated in the 2007 Budget Process to help establish and reinforce connections between strategic priorities and resource allocation, thus moving the organization closer to realizing Vaughan’s Vision and strategic goals. Department Business Plans provide stakeholders with an overview of the department’s goals, strategic priorities, as well as

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demonstrated efficiency and effectiveness through the use of performance measures. This information compliments the Budget Process and can assist in evaluating base budgets and analyzing the feasibility of departmental budget increases and resource allocation. Department Business Plans were provided to Budget Committee by the Department of Strategic Planning on February 20th.

Very tight Budget Guidelines, approved by Council were issued to departments. Resource requests over and above the guidelines were scrutinize by Senior Management, the City Manager, and the Budget Committee. Only those determined essential have been put forward. The results of the process described above, including the budget request from the Vaughan Public Library Board is summarized below. What is not yet included is direction with respect to an infrastructure funding strategy. This is discussed in the next section.

BUILDING THE BUDGET

Infrastructure Funding Strategy Infrastructure repair & replacement requirements	?
New Initiatives/Enhanced Service Levels Additional Resource Request	0.5% 0.6%
Regulatory Requirements Additional Resource Request	0.6%
Maintain Level of Service Additional Resource Requests	0.7%
City Base Budget under the Guidelines	2.0%
Vaughan Public Library Board	0.6%
Tax Rate Impact	4.4%

Long-Range Financial Planning

On March 20th 2006, staff presented Council with a report on Long-Range Financial Planning. The purpose of this report was to provide Council with an overview of the current Long-Range Financial Planning process and outcomes. The prevailing theme throughout the Long-Range Financial Planning study was that infrastructure repair and replacement is of a paramount concern and Vaughan is currently experiencing the following:

- Significant new infrastructure is being built/assumed annually
- Infrastructure is aging
- Infrastructure spending requirements are significantly under funded
- Infrastructure reserve balances and funding levels will not sustain requirements
- Long-term debt requirements will rise

Over the past two decades the City of Vaughan has grown at an unparalleled pace, adding new facilities, parks, and transportation networks on an annual basis. Vaughan is now entering an era where these assets require significant investment to ensure they are maintained in an acceptable state of repair. This is evident by the recent increase in capital funding requests. As Vaughan ages and continues to transition from a rapidly growing Township to a thriving mature City, infrastructure repair and replacement requirements will begin to accumulate at a pace similar to that when they were constructed. Without further infrastructure investment, Vaughan's infrastructure network will deteriorate potentially compromising community health, safety, and service levels. The condition and

state of municipal infrastructure is an important factor in assessing a Community's overall quality of life and economic health. Consequently, it is critical to understand that there is a great need and benefit for further infrastructure investment in order to protect, sustain, and maximize the use of Vaughan's infrastructure assets.

Infrastructure Funding Strategy

Given the significance and magnitude of the trends and outcomes previously presented, it is recommended and financial responsible for Vaughan to institute a systematic plan to address existing and future infrastructure spending requirements, based on when infrastructure exceeds their life cycle. However, as a result of the sheer size of the investment required it is suggested the Infrastructure funding strategy initially focus on addressing immediate infrastructure spending requirements and then refocus efforts towards building infrastructure reserves in order to meet and smooth future requirements. It was determined that a 4-part plan is best suited for the challenge and consists of the following:

1. Advocating for assistance from other levels of government
2. Rethink infrastructure placement and replacement
3. Controlled infrastructure reserve spending
4. Increasing infrastructure funding

Advocate Assistance from Other Levels of Government

Infrastructure renewal has become a common topic in the media and Provincial and Federal governments are beginning to recognize its importance. The Federal and Provincial government's recent willingness to share a portion of the gas tax demonstrates this fact. Although appreciated by Municipalities, the gas tax funding is dedicated to new environmentally sustainable projects and will only marginally assist in the formulation of a complete infrastructure funding strategy.

In March of this year the Province announced a new plan to phase out GTA pooling by 2013. Through this plan the Region of York will benefit considerably. The opportunity is available for Vaughan to advocate that a portion of these funds be redirected to the Municipal level to assist with infrastructure renewal.

As part of the overall plan, it is necessary that other levels of government assist with funding for infrastructure repair and replacement.

Rethink Infrastructure Placement and Replacement

Since it is evident that funding infrastructure repair and replacement is a significant challenge, it is necessary to rethink the way in which new infrastructure is recommended and in the way that existing infrastructure is eventually replaced. This will potentially reduce the forecasted financial burden that the Municipality is currently facing. Therefore, the City should undertake a review of infrastructure placement and replacement in an effort to provide the same functionality at a more affordable replacement, repair, and maintenance spending level. This may require a need to reexamine infrastructure service levels and consider alternative infrastructure choices.

Controlled Reserve Spending

As a result of the Long-Range Financial Planning policies established in 1996, the Municipality is in a stronger financial position and discretionary reserve balances have improved considerably and are now slightly exceeding the discretionary reserve ratio policy target. Achieving this target required fiscal management and a dedicated focus on building reserve balances. Currently, approximately 30% of the discretionary reserve balance consists of infrastructure reserves. Now that the established target has been maintained and exceeded, infrastructure reserves can begin to fund infrastructure spending requirements to the extent the approved discretionary reserve ratio is maintained and cognizant of other existing and future reserve considerations. This amount will be determined on an

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annual basis and it is recommended that it be dedicated to reducing the existing infrastructure backlog. This has been addressed as part of the 2007 Capital Budget process.

Increasing Infrastructure Funding Options

The largest part and most financially significant component of the funding strategy lie in increasing the City's infrastructure funding effort. This poses a complicated challenge as the initial requirements are overwhelming and will prove challenging to overcome immediately. Recognizing this situation, Finance staff undertook an evaluation of different options to begin addressing the infrastructure funding shortfall. The following options were presented to Council:

1. Fund now through tax increases based on life cycle costing
2. Fund over time through fixed annual increases
3. Fund all incremental infrastructure spending requirements through long-term debt
4. Hybrid – fixed tax increases, LTD, and reduced infrastructure spending requirements

It is important to reiterate that any tax rate increases associated with the above options are in addition to normal Operating Budget requirements and focus solely on infrastructure spending requirements. In addition, the above options exclude annual debenture funding requirement associated with the approved roads program as these requirements are established and the funding policy approved. This important and complex topic was further detailed in a separate report provided to the Budget Committee on February 20th and received by Council on February 26th.

Subsequent to the February 20, 2007 Budget Committee meeting, the Province announced the elimination of GTA Pooling over the next seven (7) years. The annual contribution of the residents and businesses in the City of Vaughan to GTA Pooling is significant. The City will be exploring opportunities to access and utilize a portion of these funds to address infrastructure issues.

Relationship to Vaughan Vision 2007

The Proposed 2007 Operating Budget is the process to allocate and approve the resources necessary to continue operations and implement Council's approved plans.

Regional Implications

There are no regional implications associated with this report.

Conclusion

The City has followed a very thorough process to minimize any tax increase while maintaining levels of service and meeting regulatory requirements.

As shown in the chart below the increase in the property tax impact of the City's base operating budget has been limited to a 0.9% increase. In addition to the base is an additional tax impact for two (2) main reasons. The largest \$1m or a 1% tax increase is for the repayment of debentures for the repair/reconstruction of roads. The second is \$.8m or a .8% increase to support the City's "Greening Vaughan" environmental initiative, specifically the green bin program.

The above noted increases along with a response to regulatory requirements, new initiatives and increased Library Board funding results in a 4.4% property tax increase, or \$44.64 per year to the average assessed home in Vaughan.

**CITY OF VAUGHAN
PROPOSED 2007 OPERATING BUDGET
Tax Increase Overview**

<i>Major Components</i>	2007 Budget Impact	Res. Tax Rate Increase
Road Debenture Requirements	1,000,000	1.0%
Green Bin Initiative - Net Full Year Impact	845,510	0.8%
Regulatory Requirements (PSAB, Street Locates, Etc)	545,546	0.6%
New Initiative requests	524,218	0.5%
Sub Total	2,915,274	2.9%
Base Budget	991,626	0.9%
2007 City Proposed Tax Increase	3,906,900	3.8%
Library Board	569,140	0.6%
2007 Draft Operating Budget Tax Increase (City & Library Board)	4,476,040	4.4%

Attachments

Attachment 1 – Proposed 2007 Operating Budget Revenue and Expenditure Summary

Report prepared by:

Clayton Harris, CA, ext. 8475
Deputy City Manager/Commissioner of Finance & Corporate Services

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

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

124. PROPOSED 2007 CAPITAL BUDGET

MOVED by Councillor Di Vona
seconded by Councillor Shefman

That the recommendation contained in the following report of the Budget Committee, dated June 14, 2007, be approved;

CARRIED

Recommendation

The Budget Committee recommends:

1. That the following report on the Proposed 2007 Capital Budget be received;
2. That the deputations from the public be received; and
3. That the Proposed 2007 Capital Budget totaling \$69,462,565 comprised of funding of \$49,420,200 from Reserves and sources other than taxation and long-term debt (Attachment 2), \$10,969,000 from long-term debt (Attachment 3) and \$9,073,365 from taxation (Attachment 4) be approved subject to any changes as a result of public input.

Economic Impact

The Proposed 2007 Capital Budget is \$69,462,565 and funded from a variety of sources (Attachment 1). The proposed capital budget is in keeping with Council approved policies and recognizes the limited amount of taxes and other funding available for capital work. The future operating budget impact of the proposed capital budget is \$3,106,070 or a 3.1% tax increase.

Communications Plan

Budget forums with the objective to obtain public consultation into the 2007 Capital budget were held March 19 at the Garnet Williams Community Centre, March 28 at Al Palladini Community Centre and April 11 at the Civic Centre. The budget forums were generally well attended and input was received.

Following Council approval of the budget, the appropriate press releases will be distributed per the City's policy. Key information will also be provided on the City's WEB site and the fact sheets will be provided to key stakeholders, Rate Payers Associations and the Chamber of Commerce.

Purpose

The purpose of the public meeting is to obtain input and to provide the public with an overview of the proposed 2007 Capital budget and specific projects recommended for approval.

Background - Analysis and Options

In the preparation of the Capital Budget a number of issues were taken into consideration. The continued pressures of growth, maintaining existing infrastructure and the provision of new services were balanced against available funding, the impact on the Operating budget and the available staff resources to undertake and properly manage the projects.

Total capital funds requested equals \$127,710,730. The Proposed 2007 Capital Budget submission totals \$69,462,565. Capital projects are funded from four main sources: Development Charges, Reserves, Taxation and Long Term Debt. Departments have prioritized the projects within each funding source. Based on previously approved Council policies, Finance staff have assessed the availability of funding and established a funding line within each funding source. The following list summarizes the financial policy areas:

- 1) Level of Discretionary Reserves
- 2) Level of Working Capital
- 3) Level of Debt
- 4) The requirement of funds to be on hand prior to Project approval

These policies have had a positive impact on the financial stability of the municipality. The following summarizes the key financial information ratios compared to targets approved by Council.

	<u>Projected Dec. 31, 2006</u>	<u>Approved Target</u>
Net Development Charge Balance	\$63.4M	N/A
Discretionary Reserve Ratio	54.7%	50% of own source revenue
Working Capital	11.2%	10% of own source revenue
Debt Level *	5.21%	10% of own source revenue

*Includes Commitments for OSA & Vaughan Sports Complex

Development Charges

In reviewing the projects submitted to be funded from development charges, the following guidelines approved by Council were taken into consideration:

- 1) With the exception of Management Studies, no service category with a positive balance should be placed into a pre-financing position (requirement of funds to be on hand)
- 2) Service category pre-financing should not be increased; and
- 3) Commit no more than 50% of anticipated revenues for any service category

Each department prioritized the projects within each development charge funding source. Finance staff assessed the funding availability and established a specific funding line for each service. The Proposed 2007 Capital Budget is within these guidelines.

A key financial policy approved by Council is the requirement of funds to be identified prior to the project being approved. The construction of the North Thornhill Community Centre located in Block 10 (Project BF-8114-07) was scheduled initially for construction over 2004/05 based on the growth forecast in the Development Charge Background Study. It is the next indoor recreation facility to be constructed based on the capital plan in the DC Background Study. Total cost of the project is \$25,974,500 (City Wide Development Charges – Recreation \$22,932,450 and Taxation \$3,042,050). The community center design funds were approved in 2003. As of December 31, 2006 the uncommitted net balance in the City Wide Development Charges – Recreation account is \$15,544,862.

Based on the capital plan in the Development Charge Study the Block 10 Community Centre is the next facility to be constructed. If the level of development activity continues throughout 2007 it is anticipated that the additional \$7,387,588 City Wide Development Charges – Recreation funds for the balance of this project will be received during 2007. The Budget Committee recommended the construction of the North Thornhill Community Centre in 2007 with the requirement that recreation development charges collected in 2007 be first allocated to the funding of the North Thornhill Community Centre. The balance of the 10% co-funding from taxation required for this project is committed from taxation in the 2008 operating budget.

Long Term Debt

The capital projects identified for long term debt financing are typically large projects (road resurfacing, road reconstruction, road upgrading) that have no other source of funding other than taxation.

Under Ontario Regulation 403/02, a municipality may borrow or undertake financial obligations provided that the annual repayment limit related to the debt and financial obligations do not exceed 25% of net revenue fund revenue. It is recommended that the capital projects identified above the funding line from long term debt totaling \$10,969,000 be approved (Attachment 3).

Once Council approves the long term debt funded capital projects, staff will prepare the tender and request for the approval of the award of tender. When these projects are complete and costs finalized the City requests and authorizes the Region of York to issue the debenture on the City's behalf.

Taking into account the additional debt contemplated by the draft capital budget, the City of Vaughan debt charges are still within the 10% debt ratio policy approved by Council. The annual debt repayment limit calculated pursuant to Ontario Regulation 403/02 for the proposed debt charges and financial obligations is 5.21% of net revenue fund revenue, well within the 25% maximum allowed under the regulation. The issuance of the long term debt will have an estimated future annual operating budget impact of \$1,420,500.

Taxation

Projects identified from taxation funding are smaller non-growth related projects that have no other source of funding such as technology, infrastructure repair, studies, etc.. Also included in the taxation funding request is the 10% co-funding requirement of the Development Charges Act for certain growth related services (Libraries, Recreational Complexes, Parks and Vehicles).

The 2007 Capital requests from Taxation is \$36,716,980. The amount of funding available for taxation funded projects from the Proposed 2007 Operating Budget is \$6,665,315. Staff have also reviewed the list of previously approved taxation funded projects and have identified an additional \$866,000 in available funds. The additional funding has become available as a result of the recent approval of a Green Funds grant and gas tax funding. As a result, the revised total taxation funding available for the proposed 2007 taxation funded capital projects is \$7,531,315. Senior Management Staff and the Budget Committee reviewed the \$36 M request and prioritized the projects totaling \$9,073,365 (Attachment 4). Any further approval of the taxation funded capital request in excess of \$7,531,315 would have an additional impact on the 2007 Operating budget and the property tax rate. Of this amount \$7,531,315 is funded from the 2007 operating budget and \$1,542,050 be committed from the 2008 operating budget.

Infrastructure Repair & Replacement

The Long Range Financial Planning Study (LRFP) presented to the February 28, 2006 Committee of the Whole (Working Session) assessed the need for and began to quantify the financial impact of the repair and replacement of the City's major capital assets. The LRFP provides an infrastructure repair and replacement forecast based on the various departments lifecycle forecasting. Assets were scheduled for replacement based on the assets estimated useful life. The results of the LRFP identified that the City infrastructure repair and replacement is significantly under funded. A comprehensive infrastructure funding strategy is required. A number of years ago staff recognized the need to direct more funding for infrastructure repair and replacement. In approximately 1998 the City began to provide limited funding to reserves created for the major repair or replacement of building and facilities, parks and roads. Based on Council policy the combined balance in these and other reserves is such that there is an opportunity to now utilize some of these reserve funds. The funds available in each of the Reserves mentioned above is as follows.

	Est. Available Funding
Bldg Infrastructure Pre 99	\$1,047,540
Bldg Infrastructure Post 98	\$838,420
Roads Infrastructure	\$694,150
Parks Infrastructure	\$319,714

With the proposed identified funding available from these reserves for assets beyond their life cycle, the estimated discretionary reserve ratio for 2007 remains above the Council policy limit of 50%. Future expenditure from these and other reserves will depend on the annual reserve contributions, interest earned and whether or not the 50% discretionary reserve ratio can be maintained.

Municipal Gas Tax Funds

Eligible infrastructure under the Municipal Gas Tax Funding agreement are projects that are environmentally sustainable municipal infrastructure projects with the following categories:

- Public Transit
- Water
- Wastewater
- Solid waste
- Local roads, bridges & tunnels
- Active transportation infrastructure (e.g. bike lane)
- Capacity building and community energy systems (e.g. retrofit municipal buildings and infrastructure)

The municipality must also clearly demonstrate that the funding used for a project is incremental and the funding either enabled a project's implementation, enhanced its scope or accelerated its timing. The objective of the Gas Tax Program is to increase the amount of infrastructure repair and replacement and not to simply replace other sources of funding. Therefore the use of the gas tax funds must be incremental.

Under the agreement the calculation for the incremental amount for the City of Vaughan is calculated as follows:

Average municipal spending on eligible project categories for the period Jan 1, 2000 to Dec 31, 2004	\$56,254,885.00
Plus:	
Municipal Gas Tax Funding Nov. 15, 2005 to Nov. 15, 2009	<u>\$14,786,956.41</u>
Total municipal spending on eligible project categories for The period April 1, 2005 to March 31, 2010	<u>\$71,041,841.41</u>

Reconciliation of funds received and committed is as follows:

Gas Tax Funds received to date – Dec. 31/06	\$3,549,313
Less: Commitment to Green Bin Project	\$1,356,000
Less: Commitment to Storm Ponds Sediment Removal	\$ 284,000
Less: Proposed 2007 Capital Projects	<u>\$1,544,000</u>
Balance available for Future Eligible Projects	<u>\$ 365,313</u>

Staff have reviewed the list of capital projects submitted and with concurrence of AMO staff have identified a number of capital projects eligible under the Municipal Gas Tax Funding Agreement.

The list of projects totaling \$1,544,000 is identified above the Gas Tax Reserve funding line. Further expenditure plans will be provided for the balance and future gas tax revenues.

Operating Budget Implication

The proposed 2007 Capital Budget funding lines have been recommended to Council. Should Council approve the capital projects above the proposed funding line, the estimated future operating cost implication is estimated at \$3,106,070 or approximately 3.1% increase in the property tax when the projects are complete.

Relationship to Vaughan Vision 2007

The budget process links the Vaughan Vision 2007 through the setting of priorities and allocation of resources.

Regional Implications

There are no regional implications associated with this report.

Conclusion

The City Manager with the Senior Management Team and Finance staff have reviewed the Capital budget submission and have established priorities and appropriate funding lines. The Proposed 2007 Draft Capital Budget is \$69,462,565. The Operating budget implication for the Proposed 2007 Capital Budget included in this report is \$3,106,070 or approximately 3.1% property tax increase when the projects are complete.

The proposed Capital Budget recommended by the Budget Committee is attached.

Attachments

- Attachment 1 - Proposed 2007 Capital Budget Funding Summary
- Attachment 2 – Proposed 2007 Capital Budget Funded other than Taxation and Long Term Debt
- Attachment 3 – Proposed 2007 Capital Budget Funded from Long Term Debt
- Attachment 4 – Proposed 2007 Capital Budget Funded from Taxation

Report prepared by:

Marjorie Johnson, CGA, Manager of Capital, ext. 8984
Ferrucio Castellarin, CGA, Director of Reserves & Investments, ext. 8271

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

125. BY-LAWS FIRST, SECOND AND THIRD READINGS

MOVED by Regional Councillor Rosati
seconded by Regional Councillor Frustaglio

THAT the following by-law be read a First, Second and Third time and enacted:

By-Law Number 195-2007 A By-law to amend By-law Number 396-2002, as amended, to provide for fees and charges by amending Schedules "A", "B", "C", "E", "F", "I", "J", "K" and "L". (User Fees/Service Charges Review) (Item 2, Special Council, June 14, 2007)

CARRIED

126. CONFIRMING BY-LAW

MOVED by Councillor Shefman
seconded by Councillor Yeung Racco

THAT By-law Number 196-2007, being a by-law to confirm the proceedings of Council at its meeting on June 14, 2007, be read a First, Second and Third time and enacted.

CARRIED

127. ADJOURNMENT

MOVED by Councillor Meffe
seconded by Councillor Carella

THAT the meeting adjourn at 7:45 p.m.

CARRIED

Linda D. Jackson, Mayor

Sybil Fernandes, Deputy City Clerk