



**CITY OF VAUGHAN  
SPECIAL COUNCIL MINUTES  
APRIL 7, 2009**

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**CITY OF VAUGHAN**  
**SPECIAL COUNCIL MEETING**

**TUESDAY, APRIL 7, 2009**

**MINUTES**

**7:00 P.M.**

Council convened in the Municipal Council Chambers in Vaughan, Ontario, at 7:20 p.m.

The following members were present:

Regional Councillor Joyce Frustaglio, Chair  
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

**55. CONFIRMATION OF AGENDA**

MOVED by Regional Councillor Ferri  
seconded by Councillor Di Vona

THAT the agenda be confirmed.

CARRIED

**56. DISCLOSURE OF INTEREST**

There was no disclosure of interest by any member.

**57. PROPOSED 2009 CAPITAL BUDGET**

(Item 1)

MOVED by Councillor Di Vona  
seconded by Councillor Carella

- 1) That the recommendation contained in the following report of the Budget Committee, dated April 7, 2009, be approved; and
- 2) That the following deputations be received:
  - a) Mr. Adriano Volpentesta, 74 Mediterra Drive, Vaughan, L4H 3B8; and
  - b) Mr. Savino Quatela, 134 Grand Valley Blvd., Maple, L6A 3K6.

CARRIED UNANIMOUSLY UPON A RECORDED VOTE

YEAS

NAYS

Councillor Carella  
Councillor Di Vona  
Regional Councillor Ferri  
Regional Councillor Frustaglio  
Councillor Meffe  
Councillor Yeung Racco  
Regional Councillor Rosati  
Councillor Shefman

**Recommendation**

The Budget Committee recommends:

1. That the following report on the Proposed 2009 Capital Budget be received;
2. That deputations from the public be received; and
3. That the Proposed 2009 Capital Budget totaling \$63,721,824 comprised of funding of \$52,335,434 from Reserves and sources other than taxation and Long-term debt (Attachment 2), \$4,117,000 from Long-term debt (Attachment 3) and \$7,269,390 from taxation (Attachment 4) be approved subject to any changes as a result of public input.

**Economic Impact**

The Proposed 2009 Capital Budget is \$63,721,824 and funded from various sources (Attachment 1). The Proposed Capital Budget is within Council approved policies and recognizes the limited amount of tax dollars available for capital work.

The future operating budget impact of the proposed capital budget is \$1,142,800 or a 0.96% tax increase.

**Communications Plan**

There was a public budget consultation forum on November 10<sup>th</sup>. Following the forum was a series of Budget Committee meetings that were advertised and open to the public. There were a total of six (6) meetings. In addition, the final public meeting to consider the Operating and Capital Budgets will be advertised and a press release will be issued following Council approval.

**Purpose**

The purpose of the public meeting is to obtain input and to provide the public with an overview of the Proposed 2009 Capital Budget and specific projects recommended for approval.

**Background - Analysis and Options**

A number of issues were taken into consideration in the preparation of the capital budget. The continued pressures of growth, maintaining existing infrastructure and 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 \$83,438,714. The Proposed 2009 Capital Budget submission totals \$63,721,824.

Capital projects are funded from four main sources:

1. Development Charges;

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2. Reserves;
3. Long Term Debt; and
4. Taxation.

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.

Over the years these policies have had a positive impact on the financial stability of the municipality. The key financial information/ratios approved by Council are being met. The following summarizes the key financial information ratios compared to targets approved by Council:

	<u>Projected Dec. 31, 2008</u>	<u>Approved Target</u>
Net Development Charge Balance	\$78.8M	N/A
Discretionary Reserves	71.9%	50% of own source revenues
Working Capital	12.6%	10% of own source revenues
Debt Level *	5.4%	10% of own source revenues

\*Includes Commitments for OSA & Vaughan Sports Complex

### Development Charge Reserves

For the projects submitted to be funded from Development Charges, the following guidelines previously approved by Council were taken into consideration:

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

Each department has prioritized the capital projects within each development charges funding source. Finance staff have assessed the funding availability and established a specific funding line for each service.

### Taxation

Projects identified for taxation funding are non-growth related projects that have not other source of financing such as infrastructure maintenance and repairs. In addition, included in the funding request from taxation is the 10% co-funding requirement of the Development Charges Act for certain growth related services (Libraries, Recreational Complexes, Parks, Vehicles and Growth Related Studies).

The amount of funding available for taxation funded projects from the 2009 Operating Budget is \$6,585,475. The 2009 taxation funded requests total \$19,973,830. Given that there are insufficient funds provided from the 2009 Operating budget to fund all the requested taxation funded capital projects, staff reviewed the list of previously funded projects and have identified \$683,915 in surplus funds. As a result, the revised amount available for taxation funded capital projects is \$7,269,390. Senior staff reviewed the \$19,973,830 in requests and prioritized projects totalling \$7,269,390. Any approval of taxation funded capital requests in excess of \$7,269,390 would have an additional impact on the 2009 Operating budget and property tax rate.

### Long Term Debt

Capital projects identified for long-term debt financing tend to be large projects (road resurfacing, road reconstruction and rural road upgrading) that have no other source of funding other than taxation and have a long useful life.

Under Ontario Regulation 403/02, a municipality may borrow or undertake financial obligations provided that the annual repayment related to the debt and financial obligations do not exceed 25% of our own source revenues. It is recommended that the capital projects identified above the funding line from long term debt totaling \$4,117,000 (Attachment 3) be approved. With this approval, the City of Vaughan debt charges will be within the 10% debt policy approved by Council. The Annual Debt Repayment Limit calculated pursuant to Ontario Regulation 403/02 included the proposed debt charges and financial obligation is 5.4% of net revenue fund revenue well within the 25% maximum allowed under the regulation. The issuance of proposed 2009 Long term debt will have an estimated future operating budget impact of \$533,100.

### Federal/Provincial Infrastructure Stimulus

Staff has compiled and forwarded the Council approved list of shovel ready projects totaling approximately \$42m to both the Federal and Provincial governments. This list of projects is in addition to the City's 2009 proposed Capital budget, but could be started with additional funding. Once both the Federal and Provincial governments have established the details on eligible project criteria, eligible project costs and application intake dates, the City will proceed to the next step. If projects are approved, projects will most likely be co-funded one third grant funding from both the Federal and Provincial levels of government and one third municipal funding. For approved projects that require additional municipal funding, the 2009 Capital Budget will be re-opened and amended as required.

### Operating Budget Implication

The Proposed 2009 Capital Budget funding lines have been recommended. Should Council approve the capital projects identified above the proposed funding line, the City will experience future net operating costs that are associated with the approved projects. The estimated future operating cost implication is estimated at \$1,142,800 or approximately 0.96% in property tax rate increase when the projects are complete. This excludes any lifecycle costs associated with the projects.

### Relationship to Vaughan Vision 2020

The budget process links the Vaughan Vision 2020 through the setting of priorities and allocation of resources.

This report is consistent with the priorities previously set by Council and is the process whereby the necessary resources are allocated and approved.

### Regional Implications

Not applicable.

### Conclusion

The City Manager, the Deputy City Manager/Commissioner of Finance & Corporate Services, the Senior Management Team and Finance staff have reviewed the Capital Budget submission and have established priorities and appropriate funding lines. The Proposed 2009 Capital Budget is \$63,721,824. The operating budget implication for the Proposed 2009 Capital Budget included above the proposed funding lines in this report is \$1,142,800 or approximately 0.96% future property tax increase when the projects are complete.

**Attachments**

- Attachment 1 – Proposed 2009 Capital Budget Funding Summary
- Attachment 2 – Proposed 2009 Capital Budget Funded other than Taxation and Long-Term Debt
- Attachment 3 – Proposed 2009 Capital Budget funded from Long-Term Debt
- Attachment 4 – Proposed 2009 Capital Budget Funded from Taxation

**Report prepared by:**

Ferruccio 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.)

**58. PROPOSED 2009 OPERATING BUDGET**

(Item 2)

MOVED by Councillor Di Vona  
seconded by Councillor Carella

- 1) That the recommendation contained in the following report of the Budget Committee, dated April 7, 2009, be approved; and
- 2) That the following deputations be received:
  - a) Mr. Adriano Volpentesta, 74 Mediterra Drive, Vaughan, L4H 3B8; and
  - b) Mr. Savino Quatela, 134 Grand Valley Blvd., Maple, L6A 3K6.

CARRIED UNANIMOUSLY UPON A RECORDED VOTE

YEAS

NAYS

Councillor Carella  
Councillor Di Vona  
Regional Councillor Ferri  
Regional Councillor Frustaglio  
Councillor Meffe  
Councillor Yeung Racco  
Regional Councillor Rosati  
Councillor Shefman

**Recommendation**

The Budget Committee recommends:

- 1) That the following report and presentation on the Proposed 2009 Operating Budget be received;
- 2) That the deputations from the public be received; and
- 3) That the Proposed 2009 Operating Budget be approved subject to any changes as a result of public input.

**Economic Impact**

The attached Proposed 2009 Operating Budget, Attachment 1, reflects the requirement for a taxation funding increase of \$31 a year (\$2.60 per month) on the average home re-assessed at \$435,235 or a 2.84% tax increase.

The Proposed 2009 Operating Budget increase of \$3.5m is largely driven by the following:

1. Safety and Security - \$1.5m increase for 20 additional firefighters;
2. Infrastructure Repair - \$1.0m increase for major roads repairs; and
3. Significant Increase in Contracted Services, specifically Winter Control.

As illustrated above, more than 70% of the increase is directly related to community safety and infrastructure repair. The next significant component is to cover the cost increase for contracted services that were tendered and required to maintain levels of service.

**Communications Plan**

Public involvement throughout the budget process was a key element and consisted of:

Early Consultation - A Public Budget Consultation/Information Forum was held on Nov. 10<sup>th</sup> to obtain the community's input early in the budget process. This process was complemented by placing the Budget Forum presentation and a questionnaire online. The public forum and online content were heavily promoted in various media sources 3 weeks in advance.

Continuing Opportunity for Input - In addition to the Budget Forum, 6 public Budget Committee meetings were held. Input on the budget was received throughout the process and considered during the budget deliberations. In addition to these meetings, a Special Council meeting is scheduled on April 7<sup>th</sup> to provide the public a final opportunity to comment on the Proposed 2009 Operating Budget.

Final Approval – Following Council approval of the budget, the appropriate media releases will be distributed per City policy. The media releases will articulate the strong management practices and oversight the City currently has in place to provide residents with value for their property tax dollar, as demonstrated through high levels of service for a very low property tax rate in comparison to other municipalities. Key information will also be provided on the City's Web site and the fact sheets will be provided to key stakeholders.

**Purpose**

The purpose of the Special Council Meeting is to obtain final public input and to provide the public with an overview of the Proposed 2009 Operating Budget including the major issues the municipality is facing and the impact on taxes to an average Vaughan household.

**Background - Analysis and Options**

**Executive Summary**

The 2009 Proposed Operating Budget is based on budget guidelines that were adopted by the Budget Committee on May 29<sup>th</sup>, 2008. A founding principle of the budget guidelines was to maintain service levels and support Vaughan's Vision with a minimum impact on taxes. The 2009 Proposed Operating Budget, including any recommendations stemming from Budget Committee deliberations, reflects the requirement for a taxation funding increase of \$3.35m. This represents a property tax increase of approximately \$31 a year (or \$2.60 per month) on the average home re-assessed at \$435,235 or a 2.84% tax increase. The tax increase is largely driven by the following:

4. Safety and Security - \$1.5m increase for 20 additional firefighters;
5. Infrastructure Repair - \$1.0m increase for major roads repairs;
6. Significant Increase in Contracted Services, specifically Winter Control

As illustrated above, more than 70% of the increase is directly related to community safety and infrastructure repair. The next significant component is to cover the cost increase for contracted services that were tendered and required to maintain levels of service.

***Delivering Value for Your Property Tax Dollar***

The City of Vaughan takes the management and stewardship of public funds seriously. Through Council, the City delivers services the residents expect within the legislative framework established by the Province of Ontario. Within that context, increasing property taxes is the last option. In this regard the City of Vaughan has been very successful. We have consistently had the lowest property tax rate in York Region and one of the lowest property tax rates in the GTA, while providing high quality services to the residents of Vaughan.

A low tax rate and high quality services do not occur by chance. For several years, the City has had a very rigorous budgetary process that is continually reviewed and refined. That rigorous process includes a number of specific actions such as the following:

***Containing Costs and Implementing Best Practices***

- ❖ Freezing many expenses at previous years levels;
- ❖ Requiring City Manager review and approval prior to filling vacancies;
- ❖ Engaging the Community to ensure resources are applied to community needs;
- ❖ Utilizing performance measures to assess budgets;
- ❖ Reviewing organizational efficiency;
- ❖ Establishing a formal Continuous Improvement Program;
- ❖ Ensuring growth pays for growth

***Demonstrating Leadership in Financial Management***

- ❖ Implemented user pay policies;
- ❖ Developed fiscal policies to guide management and Council decisions;
- ❖ Through Business Planning, aligned resources with operational and strategic priorities;
- ❖ Leveraged long- range integrated financial planning to increase financial visibility;
- ❖ Implemented infrastructure life-cycle planning;
- ❖ Building reserves to smooth cyclical and economic downturns

The City of Vaughan has been very progressive in implementing policies and processes to manage the municipality while providing residents with value for their property tax dollar. As noted above, Vaughan had one of the lowest property tax rates in the GTA in 2008. In 2008, the average home in Vaughan paid \$1,093 in property taxes for the services they receive at the local level and the City ranked 3<sup>rd</sup> in the province in terms of its financial position per capita according to an independent research firm.

***Budget Approach – Maintaining Service Levels with a Minimum Impact on Taxes***

The City's approach to the annual operating budget is to first issue very strict budget guidelines to develop the **Base Budget**. Under the guidelines, departments are only permitted to include very specific increases in their base budget, typically related to predetermined agreements, contracts or Council approvals. There is no **automatic across the board increase for inflation** and no increase for new staffing in the base. To the extent that a department requires additional resources, a separate request form must be completed for each request. These are referred to as **Additional Resource Requests (ARR)** and are individually vetted by the City Manager through the Senior Management Team and the Budget Committee. The objective of the base budget, combined with the additional resource requests is to identify the minimum resources that are required to maintain the City's service levels and move towards implementing the City's vision. Specific information with respect to the comprehensive budget process is provided in Attachment #2.



Base Budget

The City's 2008 budget was \$182m. The overall net increase in the City's 2009 base budget is approximately \$475,135 or \$4 a year for the average home in Vaughan. Although there are many components to the City's base budget, the increase can be attributed to the following main challenges.

- Infrastructure Repair – funding increase for major road repairs;
- Significant Increases in Contracted Services
- Declining Assessment Growth

In the absence of these challenges, there would virtually be a decrease in the base budget. A summary of base budget impacts and their relative impact is illustrated later in this report.

Additional Resource Requests

As noted previously, additional resource requests are submitted on an individual basis and assessed on their respective merits. There were 52 requests received amounting to \$6.1m. A significant amount of time was spent reviewing and discussing each request. The result was management's recommendation to support 32 requests totaling \$2.9m, less than half the requests. Of the \$2.9m, approximately 50% relates to staffing 20 additional firefighters to meet increasing service needs. The recommended additional resource requests represent a tax increase of \$27 per year for the average home in Vaughan or approximately 2.44%.

Combined Base Budget and Additional Resource Requests

The combined impact of the base budget and the additional resource requests is approximately \$31 per year for the average residential property in Vaughan or a 2.84% tax increase.

Local Hospital Contribution

The need for a hospital in Vaughan is well documented. There has been a significant ongoing effort to make a hospital in Vaughan a reality. Part of the Provincial requirements is the requirement for a local contribution. That local share is anticipated to come from various sources including the local municipality. In June 2008 the City of Vaughan publicly stated that it would support a local hospital with a significant contribution. Since that time the Vaughan Hospital Project has received additional approvals. The current phase of planning – Master Program / Master Plan / Business Case has been approved to proceed by the Minister. The City has been advised by the Vaughan Health Care Foundation that to complete this phase of the project will require securing a site. Any request from the Foundation for a specific contribution is separate from the City's operations and would therefore be the subject of a special meeting.

**Quick Facts**

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

Average 2009 Residential re-assessment	\$435,235
Total 2008 Taxes levied on the average assessed home	\$4,305
2008 City of Vaughan portion (25%)	\$1,093
Reduction for qualifying seniors	\$280
A 1% increase in the tax rate generates	\$1.18m
Impact of a 1% increase on the average home	\$11
2009 Assessment Growth	3.19%

2009 Re-Assessment Year

The Municipal Property Assessment Corporation (MPAC), a not-for-profit corporation funded by all

Ontario municipalities, has completed a re-assessment program for Ontario properties, effectively starting the 2009 tax year. It is important to note that this process is revenue neutral for the City of Vaughan and **legislatively can not provide the City with any additional revenue**. Increases in assessment values will be phased in over 4 years and the properties with assessment increase in line with the municipal average will not experience any tax increase as a result of reassessment. Should homeowners disagree with the new assessment value provided, MPAC offers a process for assessment reconsideration and failing that, residents can appeal MPAC decisions to the Assessment Review Board. More information on this process can be found at [www.mpac.ca](http://www.mpac.ca).

### **Proposed 2009 Operating Budget Review**

As mentioned in the Executive Summary, the City of Vaughan continues to be subject to many factors that place 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. 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 Proposed 2009 Operating Budget, the remainder of the report is dedicated to reviewing the budget in the following manageable components.

- Base budget under the guidelines
- Base budget revenue review
- Base budget expenditure review
- Additional resource requests
- Infrastructure funding strategy
- Future outlook

### **2009 Base Budget Under the Guidelines**

Based only on the budget guidelines, the City's Proposed 2009 Operating Budget is approximately \$190.7m and reflects a \$475,135 funding increase over 2008. This equates to a 0.4% tax rate increase **excluding** the budget impact of the recommended additional resource requests. Consistent with last years budget, the Proposed 2009 Operating Budget includes a \$2.5m surplus carried forward and includes \$2.7m from the Tax Rate Stabilization Reserve. To assist Council in assessing the Base Operating Budget and the associated 0.4% tax rate increase resulting from the budget guidelines, the following summary is provided.

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<u>Base Budget Impacts</u>	Budget Impact	% Variance	Tax Rate Impact
<u>Allowable Departmental Expenditure Increases:</u>			
Salaries and Benefits increase	\$3.4 m	3.3%	2.9%
Service Contracts price and volume increase	\$2.2 m	9.5%	1.9%
Utilities price and volume increase	\$0.6 m	9.6%	0.5%
Recoveries and other expenditures	\$0.6 m	2.2%	0.5%
<b>Total Departmental Expenditure Increase</b>	<b>\$6.9 m</b>	<b>4.3%</b>	<b>5.8%</b>
<b>Less: Increase in fees and service charges</b>	<b>\$0.7 m</b>	<b>2.3%</b>	<b>0.6%</b>
<b>Net Departmental Impact</b>	<b>\$6.2 m</b>	<b>4.8%</b>	<b>5.2%</b>
<u>Corporate Revenue Base Budget Impacts:</u>			
Supplemental taxation	\$0.1 m	3.8%	0.1%
Reserves	\$2.2 m	16.3%	1.9%
Corporate revenues	\$1.7 m	11.3%	1.5%
<b>Total Corporate Revenue Base Budget Impact</b>	<b>\$4.0 m</b>	<b>12.8%</b>	<b>3.4%</b>
<u>Corporate Expenditure Base Budget Impacts:</u>			
Contingency	\$0.3 m	16.0%	0.3%
Long term debt	\$1.3 m	17.9%	1.1%
Capital from Taxation	(\$0.1) m	-1.0%	-0.1%
Corporate expenditures	\$0.5 m	8.1%	0.4%
<b>Total Corporate Expenditure Base Budget Impact</b>	<b>\$2.0 m</b>	<b>9.2%</b>	<b>1.7%</b>
<b>Net Corporate Impact</b>	<b>\$2.1 m</b>	<b>3.6%</b>	<b>1.7%</b>
<b>Less: Assessment Growth (3.19%)</b>	<b>\$3.6 m</b>	<b>-----</b>	<b>3.1%</b>
<b>Total</b>	<b>\$0.5 m</b>	<b>-----</b>	<b>0.40%</b>
Increase for 2009 re-assessment year (\$435,235)	\$4.42		

An integral component of the 2009 Operating Budget Guidelines was the freezing of most account lines outside of the specific areas permitted as outlined in Attachment #2. 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.

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 \$6.9m, which represents a 4.3% increase in departmental expenses over 2008. Roughly half of the 4.3% increase is attributable to previously negotiated salary/benefit increases, including the full year impact of 2008 approved additions, roughly \$800k. The balance of the increase is related to external contracts, including significant increases in winter control, animal control, waste management, utility increases, and insurance premiums. These services are generally contracted, competitively tendered and awarded to the lowest bidder.

**Base Budget Revenue Review**

Overall, revenues increased \$4.7m or 7.2% from 2008 levels, excluding assessment growth. The primary factors contributing to the increase are as follows:

- Funding from Reserves increased by \$2.2m:

Reserves form a large part of Vaughan's financial management strategy and help to smooth significant budget impacts and mitigate the impacts of a slowing economy. The following points demonstrate Vaughan's ability to utilize these resources for that intended purpose.

- As a result of significant snow clearing increases, largely due to contract price increases, a \$700k withdrawal from the Winter Control Reserve to fund operations is necessary to phase in the full impact on the tax rate. In a similar situation, funding from the Debenture Reserve is increased by \$300k to smooth increasing debenture payments associated with the existing roads repair and maintenance program.
  - The increase in the Engineering, Fleet, and Insurance reserves, approximately \$630k is based on department expenses and associated resource allocations. The increase in funding represents the anticipated growth and cost trends for these services.
  - As a result of housing allocation constraints and an industry slowdown, it is anticipated that building permit revenue will remain stable or decline and unable to recover the full costs of this service. To offset the anticipated cost recovery shortfall, a \$230k draw on established reserve funds in 2009 is needed to avoid a budgetary impact.
  - A preliminary study on the cost sharing of administration activities between the City and Water/Waste Water Services has indicated there are more costs the City should be recovering. As a result, the existing recovery was conservatively increased by \$300k to account for this.
- Corporate and Supplemental Revenues increased by \$1.8m:
    - Property tax fines and penalties increased \$300k, tax certificates and documents increased \$184k and supplemental taxation increased \$100k. These adjustments were necessary to better reflect historical trends and keep inline with the growing tax base.
    - PowerStream investment income increased \$487k and dividend income increased \$750k.
  - User Fees / Service Charges increased by \$713k:
    - The largest portion of the increase is related to Recreation department revenues which increased by \$542k due to growth, new programs, and fee adjustments. This increase has a relatively marginal impact on the budget as associated expenses increased by a similar amount. Fee increases in other departments also occurred. Most notably, Committee of Adjustment revenue increased \$142k due to a new fee structure, which better aligns fees, services and recovery targets. Public Works revenue also increased \$131k reflecting an increase demand in general revenues and anticipated additional grant monies.
    - The above increases were offset by a \$119k reduction in Fire and Rescue Services resulting from reduced discretionary billings and collection difficulties. The Economic and Business Development Department also experienced a \$125k revenue reduction as a result of postponing the 2009 Vaughan Bash, which is offset by reductions in expenses to host the event, resulting in a net budget impact of \$50k.

Assessment Growth

For 2009, assessment growth is estimated at approximately 3.19%, which translates into roughly 3,000-3,500 new homes contributing an additional \$3.65m in property taxes. This is slightly lower than the 3.7% or \$4m figure reported in 2008, due to service allocation constraints and the slowing economy. Although not specifically allocated, these funds help offset the increased servicing costs associated with community growth. To illustrate this point, listed below are just a few of the many 2009 growth additions to the City:

- 230 km of roads
- 65 - 70 km of sidewalks
- 3,000 -3500 new waste/recycling collection stops
- 3,066 additional streetlights
- 17.43 ha of Parkland + play structures
- 5 km of trail
- Increase library circulation and much, much more

All the above additions require funds to operate and maintain service levels. Included in the Proposed 2009 Operating Budget is the following estimate of the major costs required to support growth:

• Full year impact of 2008 growth related approvals	\$800k
• Service contract volume increases	\$540k
• <u>Utility and material volume increase</u>	<u>\$595k</u>
Base budget growth impact	\$1.9m
• <u>Growth related additional resource requests</u>	<u>\$2.6m</u>
<b>Total 2009 growth impact</b>	<b>\$4.5m</b>

As illustrated above, the costs associated with growth, excluding the cost of new infrastructure co-funding or infrastructure repair and replacement, significantly exceed the amount of additional taxation received through new assessment.

User Fees and Cost Recovery

It is important to recognize there is an ongoing balance between funding through a fee for specific segment based services versus funding community-wide 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 general tax rate.

A concern that fee revenue might not keep pace with associated service costs was anticipated. As a result the budget guidelines included a requirement for all user fees and service charges to be increased in relation to department cost increases and at minimum by the rate of inflation. This exercise reduced the Proposed 2009 Operating Budget by approximately \$55k with new fees generated an additional \$207k. These amounts are provided for in contingency accounts until the amendments to the User Fee / Service Charge by-laws are Council approved. A separate report on this topic is provided for Special Council consideration.

It is important to recognize that 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

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As a result, the majority of the above departments have conducted various fee studies. Some studies were a result of legislative requirements and staff initiated a number of other in-depth studies, but all resulted in the development of cost recovery policies, principles, and targets endorsed by Council. Generally, service charges should be used to support programs where demand and utilization is determined by an individual or specific community segment. However, many factors exist (i.e. legislation, competition, social benefit, market, economic conditions, etc), which may impact on setting recovery ratios to some degree. Illustrated below is a summary of cost recovery ratios and targets for these main areas.

2009 Department Budgeted Recovery (Figures in Thousands)	Recreation	Licensing	Enforcement	Planning	COA	Building Standards
						(OBC only)
Revenues	\$ 15,197	\$ 802	* \$ 2,557	\$ 2,378	\$ 492	** \$ 8,072
Expenditures	16,395	505	3,733	2,605	516	5,177
<b>Subsidy/(Surplus)</b>	<b>\$ 1,198</b>	<b>\$ (297)</b>	<b>\$ 1,176</b>	<b>\$ 227</b>	<b>\$ 24</b>	<b>\$ (2,895)</b>
<b>Dept Budget Recovery Ratio</b>	93%	159%	68%	91%	95%	156%
Full Cost Estimate (ABC Model)	*** \$ 33,707	\$ 1,079	\$ 3,851	\$ 4,823	\$ 882	\$ 8,072
<b>Subsidy/(Surplus)</b>	<b>\$ 18,510</b>	<b>\$ 277</b>	<b>\$ 1,294</b>	<b>\$ 2,445</b>	<b>\$ 390</b>	<b>\$ -</b>
<b>Full Cost Recovery Ratio</b>	45%	74%	66%	49%	56%	100%
<b>Policy Recovery Goal</b>	95% Dept. Cost by 2012	100% Full Cost		100% Full Cost	100% Full Cost	100% Full Cost

\* Enforcement revenues include POA revenues of \$890,000

\*\* Building Standards revenues include a \$230,000 draw from Building Standards Continuity Reserve

\*\*\* Recreation B & F costs approx \$12m, OH 20%

- Recreation is recovering 93% of their departmental costs, which is on track to achieve a 95% direct operating cost recovery target by 2012.
- Licensing is also achieving the target of recovering business licensing full costs. The full cost recovery illustrated in the table is less than 100% as a portion of the department is devoted to risk management and some legislative licensing fee restrictions related to lottery, livestock, etc.
- Enforcement Services, including Provincial Offense Act revenue, is recovering approximately 67% of their department cost. Enforcement Services' full cost recovery ratio is consistent with the department recovery ratio, as associated department costs and overhead allocations are offset by the cost of services provided to other departments, i.e., Fire, Building Standards, Parks, etc. The recovery amount should improve slightly with the implementation of the administration monetary penalties initiative, which will streamline the process and improve collection efforts. There are no plans to develop a recovery policy as this service is largely driven by compliance rather than service demand.
- Planning & COA revenues are recovering 91% and 95% of their department costs respectively and falling short of achieving the goal of full cost recovery. The full costs recovery shortfall, below 50%, is largely a result of declining planning application volumes caused by the economic slowdown and York Region serving capacity allocation restrictions. Despite the decline in volumes, a backlog of applications exists from prior years that require some resources to manage and bring to completion.
- Building Standards is recovering 100% of their building code related full costs with a small draw from the Building Standards Service Continuity Reserve due to the anticipated economic slowdown.

As demonstrated above, most areas are recovering approximately 90% of their budgeted department costs and a significant portion of full costs. In addition, various benchmarking comparisons have been performed by departments and external consultants indicating Vaughan's recovery targets are on-par or better than neighbouring municipalities. This is another indication of the City managing its finances in a prudent manner.

**Base Budget Expenditure Review**

**Base Budget Expenditure Increases**

Total City expenditures increased \$8.8m or 4.9% over 2008 levels. The primary factors contributing to the increase in City expenditures are as follows:

- Approximately \$6.8m or 75% of the base budget expenditure increase is related to pressures experienced within departments, including the Library. This represents an increase of 4.2% over the 2008 departmental budget and is largely explained by the following 2 components.
  1. Of the total departmental budget increase, approximately 49% or \$3.4m is associated with labour costs, as per recognized agreements (i.e. economic adjustments, progressions for new hires, job evaluation, and benefits impacts). Also included in this figure are the full year impacts of 2008 approved hires, approximately \$800k.
  2. The second largest component of the department expenditure budget increase is a result of contracted service (\$2.2m) and utility (\$0.6m) pressures. These components account for approximately 45% of the department increases and are necessary to maintain service levels, accommodate increasing growth demands, and meet contractual or industry price obligations. A large part of the contract increase is caused by the renewal of winter control 3 year service contracts, which increased more than \$1.4m mostly due to industry price increases. Other city contracts also contributed to the increase including waste management \$241k, street light maintenance \$219k, and animal control \$179k.
- Long-term debt payments increased \$1.25m to fund prior year approved commitments primarily for major roadwork projects.
- A \$0.3m expenditure increase is also experienced in the City's contingency account and relates to ongoing labour negotiations and certain foreseeable events. Corporate and election expenses increased by \$0.46m, mainly as a result of increased professional fees, major OMB hearings, tax adjustments and bank charges.

**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. The summary below 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. It is important to recognize that these costs are necessary to maintain the City's current service levels.

<i>2009 Operating Expenditures</i>	<i>Proposed Budget</i>	<i>Budget %</i>	<i>Cumulative %</i>
Salaries and Benefits	105,513,383	55.3% *	55.3%
Contracts	25,597,286	13.4% *	68.7%
Maintenance / Materials	10,343,663	5.4%	74.2%
Reserve Contributions	9,181,735	4.8%	79.0%
Long Term Debt	8,250,000	4.3% *	83.3%
Utilities	6,785,995	3.6% *	86.9%
Capital from Taxation	6,585,475	3.5%	90.3%
Contingency	2,279,795	1.2%	91.5%
Professional Fees	2,345,755	1.2%	92.7%
Insurance	2,188,000	1.1% *	93.9%
Tax Adjustments	1,400,000	0.7%	94.6%
All Other	10,285,374	5.4%	100.0%
<b>Total Proposed 2009 Expenditures</b>	<b>190,756,461</b>	<b>100.0%</b>	<b>100.0%</b>

Considering Factors Other Than CPI When Assessing the Budget

When assessing the Proposed 2009 Operating Budget, it is very important to put municipal cost increases into perspective. It is very common for residents to gauge a municipality's performance against the Consumer's Price Index (CPI), but there are 2 inherent pitfalls with this comparison.

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

Component	% of Budget	Cost increase	Weighted Avg
Salaries and Benefits	55.1%	3% Ontario Wage Settlements	1.7%
Contracts	12.4%	7% historical based	0.8%
Materials	5.5%	6% historical/index blend	0.3%
Capital Funding	10.0%	10% Construction & MTO tender Index	1.0%
All Other	16.7%	2% CPI – general	0.4%
<b>Base inflationary increase estimate</b>			<b>4.2%</b>
<b>Base inflationary increase estimate <u>excluding Capital</u></b>			<b>3.2%</b>

Although the above figure is a preliminary estimate that may require further refinement, it is very consistent with the budget increases illustrated in the previous section titled "Base Budget Expenditure Increases" and clearly illustrates Vaughan is facing price increases beyond the Consumer Price Index (CPI).



As illustrated above, consideration must be given to all factors when assessing the budget and associated tax increases. However, the overall net base budget (revenues and expenses) only increased by a half percent or \$4/year for the average home in Vaughan. This demonstrates solid and effective financial management, increasing the resident's value for their tax dollar.

### **Consideration of Additional Resource Requests**

As indicated earlier in this report, the budget guidelines were complimented by a process that allowed departments to formally submit requests for essential resources not permitted by the budget guidelines for the Budget Committee and Council consideration. As a result, Departments submitted 52 additional resource requests totaling approximately \$6.1m. The number and value of the request indicate that departments are experiencing tremendous challenges in maintaining existing service levels and meeting increasing service demands.

Recognizing the challenge of balancing requests for additional resources with limited funding options, Senior Management initiated a process in which to review and prioritize additional resource requests. All additional resource requests were evaluated based on the following criteria:

- Mitigating municipal risk;
- Municipal value;
- Maintaining service levels;
- Adhering to Vaughan's Strategic Vision;
- Business cases and operational plans.

The process infuses a high degree of objectivity and transparency and the end result of this process is a significantly reduced recommended list of additional resource requests prioritized based on a blend of associated municipal risk exposure, service levels, and Vaughan Vision initiatives.

As part of this process and recognizing the current economic environment, Senior Management endeavored to balance requests with limited funding opportunities. This is a very challenging task as many of the requests were for the following:

- Maintaining service levels;
- Managing growth;
- Meeting legislative requirements
- Implementing continuous improvement initiatives;
- Providing enhanced service levels, etc

After considerable deliberation and review, a recommended additional resource request listing was finalized for Budget Committee and Council consideration, reducing the initial funding request to less than half the initial amount, from \$6.1m to \$2.9m. As a result, some requests were not supported which may reduce the City's ability to consistently maintain service levels. The recommended additional resource requests represent a tax increase of \$27 per year for the average home in Vaughan or approximately 2.44%.

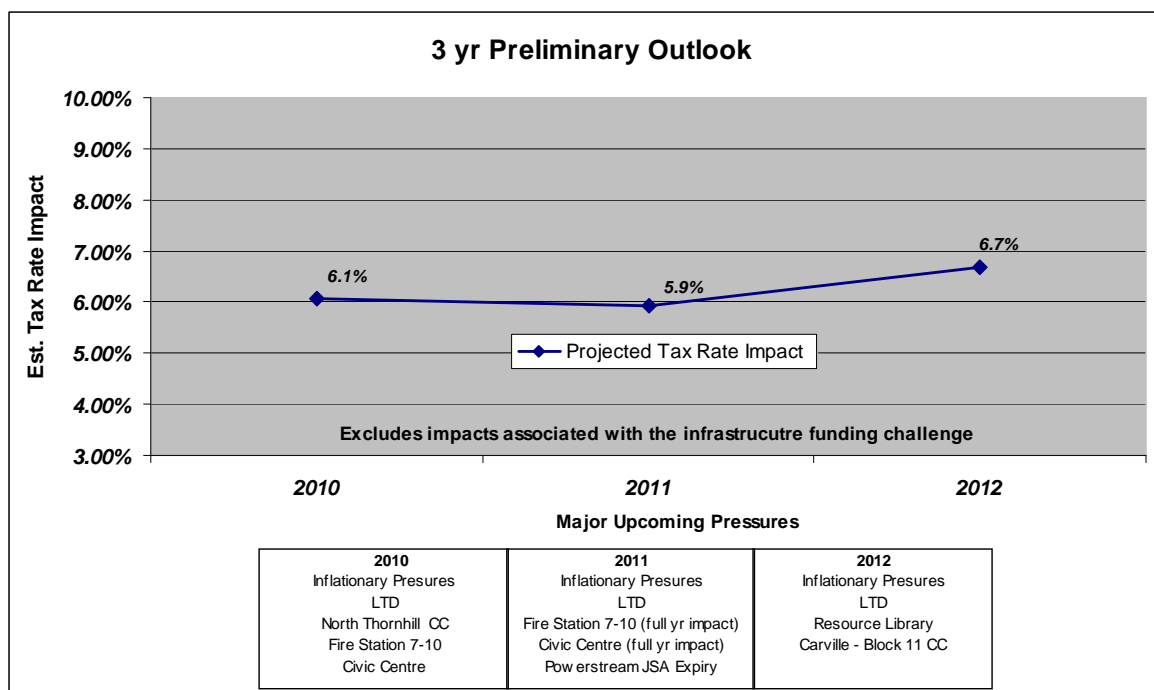
Of the total recommended requests, approximately 50% relates to staffing 20 additional firefighters in the west part of the City to meet increasing service needs. Another significant component relates to Building and Facilities, Parks Operations and Recreation requests which are partially in response to previously approved capital projects, including the new Block 10 Recreation Centre and additional parks scheduled to open in 2009. Most complement positions were gapped to reflect a later in-year date. However, it should be noted that although gapping benefits the 2009 favourable, the balance of the costs will impact the 2010 operating budget.

As illustrated the majority of the recommend resource requests (ARRs), approximately 90%, are relate to maintaining existing service levels. This is a responsible position as Vaughan is committed to providing service excellence. Refer to Attachment 3.

### **Future Outlook and Emerging Trends**

As mentioned previously, the City of Vaughan continues to be subject to the many factors that put significant pressure on the property tax rate. These pressures include, but are not limited to growth, maintaining service and infrastructure, contractual and inflationary pressures, legislative requirements, changing trends, corporate objectives, etc.. The impacts of these pressures are often permanent and require continuous funding solutions to ensure public services are sustainable in the future.

To articulate these pressures, a preliminary basic 3 year outlook is provided below. Although not a precise science, the ability to consolidate and forecast key future financial trends and identify long-term implications is critical to decision making and plays an important role in financial management and planning for Vaughan’s future. It is important to note that the preliminary outlook is based on general assumptions and trends and excludes the full impacts associated with future master plan recommendations or the impacts associated with an increasing need for infrastructure funding.



As illustrated above, the City will face tremendous pressure in the coming years. This is particularly the case for 2010, 2011 and 2012, which will see the addition of a new community centre, fire hall, civic centre, library, etc. .

Infrastructure Funding Gap

An emerging issue in the City of Vaughan is the challenge of funding the repair and replacement of City infrastructure. On December 4<sup>th</sup> staff presented to Budget Committee a report on long-range financial planning and requested direction from Council with respect to an infrastructure funding strategy. The largest part and most financially significant component of the funding strategy is increasing the City’s infrastructure funding effort. This poses a complicated challenge as the initial requirements are overwhelming and will prove difficult to overcome, as is the case for most GTA municipalities. Recognizing this situation, finance staff proposed different funding options to begin addressing the infrastructure funding shortfall. Further discussion on the infrastructure funding will be required as part of future budget processes. The funding options associated annual incremental tax rate increases vary drastically and are therefore not incorporated in the preliminary forecast.

Relationship to Vaughan Vision 2020/Strategic Plan

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The 2009 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**

Long term financial planning has been an important aspect of the City's strategic plan. Significant progress has been achieved in terms of the City's financial planning and financial health. The result has put the City in a better position to respond to the current economic challenges and mitigate tax increases.

The City has followed a very thorough process to minimize any tax increase while maintaining levels of service and moving forward to meet key strategic priorities. Very tight budget guidelines, approved by Council were issued to all departments and prudent management policies were followed. 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 resulting outcome of the base budget and additional resource request amalgamation is illustrated below in the building the budget diagram.

### **BUILDING THE BUDGET**

Infrastructure Funding Strategy	Deferred
Additional Resource Request (Including Library)	2.44%
City Base Budget under the Guidelines (Excluding Library)	0.39%
Vaughan Public Library Board (Net)	0.01%
Tax Rate Impact	2.84%

NOTE: Amounts rounded for illustration purposes.

### **Attachments**

Attachment 1 – 2009 Proposed Operating Budget Summary (Available in the Clerk's Department)  
Attachment 2 – Comprehensive Budget Review Process  
Attachment 3 – Additional Resource Request Summary

(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.)

### **59. USER FEE/SERVICE CHARGE REVIEW** (Item 3)

MOVED by Councillor Di Vona  
seconded by Councillor Carella

- 1) That the recommendation contained in the following report of the City Manager, dated February 9, 2009, be approved; and

- 2) That the following deputations be received:
- a) Mr. Adriano Volpentesta, 74 Mediterra Drive, Vaughan, L4H 3B8; and
  - b) Mr. Savino Quatela, 134 Grand Valley Blvd., Maple, L6A 3K6.

CARRIED UNANIMOUSLY UPON A RECORDED VOTE

YEAS

NAYS

Councillor Carella  
Councillor Di Vona  
Regional Councillor Ferri  
Regional Councillor Frustaglio  
Councillor Meffe  
Councillor Yeung Racco  
Regional Councillor Rosati  
Councillor Shefman

Council, at its meeting of February 24, 2009, adopted the following:

The Budget Committee recommends approval of the recommendation contained in the following report of the City Manager, dated February 9, 2009.

Report of the City Manager, dated February 9, 2009

**Recommendation**

The City Manager in consultation with the Senior Management Team and the Director of Budgeting and Financial Planning recommend:

That the user fees and service charges outlined in Attachment 1 be approved subject to the required public notice and meeting requirements.

**Economic Impact**

The total proposed economic impact is \$261,545. Based on the original report submitted on November 18, 2008, a general contingency was included in the Draft 2009 Operating Budget to account for anticipated user fee and service charge amendments approximately \$78,545. Since then the Financial Services department recently proposed new user fees, which amount to approximately \$183,000 which will favourably impact the Draft 2009 Operating Budget. Details on these fees are included in another report on the February 9<sup>th</sup>, 2009 agenda.

**Communications Plan**

Before the 2009 operating budget receives final approval, the community will be notified of an opportunity for public input on user fee/service charge adjustments to be received.

**Purpose**

The purpose of this report is to provide the Budget Committee with information on proposed changes to user fees and service charges for 2009.

**Background - Analysis and Options**

Inherent in the 2009 budget guidelines and 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:

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- Explore and submit new user fee and service charge opportunities for existing non-revenue generating services.
- Increase established service charges and user fees by a similar percentage increase in department costs, excluding any volume related impacts. At minimum departments were expected to increase user fees & service charges by the rate of inflation, unless otherwise specified. Some user fees and service charges may be subject to other regulatory requirements or subject to ongoing studies and may be exempt from this requirement.

The budget impact associated with the increases noted above are not included in the draft 2009 departmental operating budgets, with exception for Council pre-approved fee increases (i.e. Recreation and Licensing). However, a general contingency is included in the Draft 2009 Operating Budget to account for anticipated user fee and service charge amendments. Once approved, amounts will be transferred from contingency to departmental revenue accounts.

**User Fee/Service Charge Review Results**

The 2009 annual operating budget impact associated with department submitted existing user fee and service charge increases amount to \$54,545 and proposed new fees and service charges total an additional \$207,000. Detailed below is a summary of the proposed increases by Department.

**2009 User Fee/Service Charge Review  
Impact Summary**

<b>Schedule</b>	<b>Department</b>	<b>Changes to Fees/Charges</b>	<b>New Fees/Charges</b>	<b>TOTAL</b>
A & B	Clerk's	\$4,535	\$0	\$4,535
C	Finance	\$590	\$205,500	\$206,090
D	Economic & Technology Development & Corporate Communications	\$0	\$0	\$0
E	Fire & Rescue Services	\$6,936	\$0	\$6,936
F	Building Standards	\$13,350	\$1,500	\$14,850
G	Planning	\$348	\$0	\$348
I	Legal	\$2,100	\$0	\$2,100
I	Enforcement Services	\$10,485	\$0	\$10,485
J	Parks	\$0	\$0	\$0
K	Engineering Services	\$1,017	\$0	\$1,017
K	Development Engineering	\$12,333	\$0	\$12,333
L	Public Works	\$1,601	\$0	\$1,601
M	Encroachments	\$1,250	\$0	\$1,250
	<b>Total</b>	<b>\$54,545</b>	<b>\$207,000</b>	<b>\$261,545</b>

## **SPECIAL COUNCIL MEETING MINUTES – APRIL 7, 2009**

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

### **Relationship to Vaughan Vision 2020**

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

### **Regional Implications**

There are no Regional implications associated with this report.

### **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

(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.)

## **60. BY-LAWS FIRST, SECOND AND THIRD READINGS**

MOVED by Councillor Carella  
seconded by Regional Councillor Rosati

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

By-Law Number 55-2009	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", "G", "I", "J", "K", "L", and "M". (Fees and Charges By-law) (Council, February 24, 2009, Item 6, Budget Committee, Report No. 2)
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CARRIED

## **61. CONFIRMING BY-LAW**

MOVED by Regional Councillor Ferri  
seconded by Councillor Yeung Racco

THAT By-law Number 56-2009, being a by-law to confirm the proceedings of Council at its meeting on April 7, 2009, be read a First, Second and Third time and enacted.

CARRIED

## **62. ADJOURNMENT**

MOVED by Councillor Carella  
seconded by Councillor Shefman

**SPECIAL COUNCIL MEETING MINUTES – APRIL 7, 2009**

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THAT the meeting adjourn at 8:22 p.m.

CARRIED

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Regional Councillor Joyce Frustaglio  
Acting Mayor

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Jeffrey A. Abrams, City Clerk