



**CITY OF VAUGHAN
SPECIAL COUNCIL MINUTES
JANUARY 18, 2010**

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CITY OF VAUGHAN
SPECIAL COUNCIL MEETING
MONDAY, JANUARY 18, 2010
MINUTES
7:00 P.M.

Council convened in the Municipal Council Chambers in Vaughan, Ontario, at 7:04 p.m.

The following members were present:

Mayor Linda D. Jackson, Chair
Regional Councillor Joyce Frustaglio
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

Also present: Vaughan Youth Councillor Ali Fatehzadah

1. CONFIRMATION OF AGENDA

MOVED by Councillor Carella
seconded by Regional Councillor Frustaglio

THAT the agenda be confirmed.

CARRIED

2. DISCLOSURE OF INTEREST

There was no disclosure of interest by any member.

3. USER FEE/SERVICE CHARGE REVIEW
(Item 3)

MOVED by Councillor Carella
seconded by Councillor Di Vona

That the recommendation contained in the following report of the City Manager, dated November 3, 2009, be approved:

CARRIED

Council, at its meeting of November 24, 2009, adopted the following (Item 3, BC Rpt No. 7):

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

Report of the City Manager, dated November 3, 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.

Contribution to Sustainability

Sustainability seeks to meet the needs and aspirations of the present without compromising the ability to meet those of the future. Therefore, to ensure service are adequately funded it is important to sustain or improve revenue/cost relationships. Otherwise, any reduction in a user fee or service charge cost recovery ratio will have a corresponding direct change on the City's levy and/or service level funding. As part of the City's 2010 Operating Budget Guidelines, departments are required to review user fees and service charges and make adjustments to sustain or improve revenue/cost relationships.

Economic Adjustment

The proposed economic adjustment will be \$44,484. A general contingency has been included in the Draft 2010 Operating Budget to account for anticipated user fee and service charge amendments.

Communications Plan

Before the 2010 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 Budget Committee with information on proposed changes to user fees and service charges outline in By-law 396-2002 for 2010.

Background - Analysis and Options

Inherent in the 2010 Operating 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:

- 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 adjustments. 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 adjustment associated with the increases noted above are not included in the Draft 2010 Operating Budget, with exception for Council pre-approved fee increases (i.e. Recreation and Licensing). However, a general contingency is included in the Draft 2010 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 2010 annual operating budget adjustments associated with department submitted existing user fee and service charge increases related to by-law 396-2002 are \$44,484. No new fees or charges were proposed by any of the departments. Detailed below is a summary of the proposed increases by Department.

**2010 User Fee/Service Charge Review
Impact Summary**

Schedule	Department	Changes to Fees/Charges	New Fees/Charges	TOTAL
A & B	Clerk's	\$2,676	\$0	\$2,676
C	Finance	\$933	\$0	\$933
D	Economic & Technology Development	\$2,000	\$0	\$2,000
E	Fire & Rescue Services	\$5,807	\$0	\$5,807
F	Building Standards	\$7,800	\$0	\$7,800
G	Planning	\$352	\$0	\$352
I	Legal	\$13,700	\$0	\$13,700
I	Enforcement Services	\$2,350	\$0	\$2,350
J	Parks	\$156	\$0	\$156
K	Engineering Services	\$1,037	\$0	\$1,037
K	Development Engineering	\$2,192	\$0	\$2,192
L	Public Works	\$5,416	\$0	\$5,416
M	Encroachments	\$65	\$0	\$65
	Total	\$44,484	\$0	\$44,484

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

Report prepared by

Ursula D'Angelo
Manager of Operating Budget

(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.)

4. ANIMAL CONTROL BY-LAW FEE AMENDMENTS

(Item 4)

MOVED by Regional Councillor Ferri
seconded by Councillor Shefman

That the recommendation contained in the following report of the Commissioner of Legal and Administrative Services and City Solicitor and the Director of Enforcement Services, dated December 1, 2009, be approved:

CARRIED

Council, at its meeting of December 14, 2009, adopted the following (Item 3, BC Rpt No. 9):

1. That Notice be given of the amendment to the Fees, for Dog and Cat Licenses, and Impounding and Boarding; and
2. That Schedule 'A' of Animal Control By-law 53-2002 be amended to modify the licensing and impound related fees as outlined in the report.

Report of Commissioner of Legal and Administrative Services and City Solicitor and the Director of Enforcement Services, dated December 1, 2009

Recommendation

The Commissioner of Legal and Administrative Services and City Solicitor and the Director of Enforcement Services, in consultation with the Manager of Special Projects, Licensing & Permits and Risk Management, recommend:

1. That Notice be given of the amendment to the Fees, for Dog and Cat Licenses, and Impounding and Boarding; and
2. That Schedule 'A' of Animal Control By-law 53-2002 be amended to modify the licensing and impound related fees as outlined in the report.

Contribution to Sustainability

Online renewals will reduce the need to attend in person, reducing automobile use and adjusting fees will improve contribute to financial sustainability.

Economic Impact

There is a potential to generate additional licensing revenue which would offset costs of the online license renewal program of \$45,000.00. This amount is included in the 2010 Capital Budget.

Communications Plan

The fee changes will be communicated to the agencies selling licenses on behalf of the City. The fee change will also be listed on the City’s website. The Licensing Department will be preparing a renewal notice including the new fees which will be mailed out to current dog and cat licenses.

Purpose

To amend the Animal Control By-law by establishing uniform fees and implement online license renewal.

Background - Analysis and Options

The City of Vaughan Animal Control By-law 53-2002, requires owners of dogs and cats to license the animals annually. Currently, licenses are available from the Clerk’s Department, from participating veterinary offices, and from the City’s animal control contractor.

Although exact numbers of dogs and cats in the City is not known, a recent study by the Pathwise Group and a survey conducted by Ispos-Reid would suggest that the numbers could be as high as 30,000 - 40,000.

Historically, the number of licenses sold each year has represented only a very small fraction of the number of dogs and cats, perhaps as low as 3%.

In addition, the current By-law provides the fee to be waived, or reduced, for those animals spayed or neutered, animals that are micro chipped, and licenses sold by the animal control provider and community partners.

Table #1 below demonstrates the number of licenses issued and the proportion of licenses for which fees were not received.

Table #1

Year	Dog Tags Issued	Dogs Tags No Fee Received	Cats Tags Issued	Cat Tags No Fee Received
2007	1472	1014	70	50
2008	1710	980	109	62
2009 (YTD)	984	798	70	51

The current fee schedule is in need of updating for a number of reasons:

1. the current business model is not efficient and is not at a cost recovery level;
2. other municipalities have stopped offering discounts for micro chipping and spay or neutering.

Table #2 demonstrates a benchmark for other municipalities’ licensing fees. Vaughan’s fees are below the average fees of the comparators. King, Brampton and Aurora have eliminated the discounts for spayed/neutered animals.

Table #2

City	Intact	Sterilized
Aurora	\$30	\$30
Brampton	\$20	\$20
Kingston	\$40	\$15
London	\$50	\$31
Mississauga	\$40	\$20
Town of Markham	\$41.50	\$26
Town of Richmond Hill	\$25	\$10
Township of King	\$22.50	\$22.50
Cambridge	\$25	\$15
City of Burlington	\$50	\$25
Waterloo	\$37	\$22
Vaughan	\$20	\$10
<i>Average Fee</i>	<i>\$34</i>	<i>\$22</i>

Staff are recommending a two phased approach to modifying the animal licensing methodology in Vaughan.

1. Amend the Animal Control By-law 53-2002 to discontinue the discounts for spay, neutered and micro chipped animals. The following license fees are proposed:
 - Dogs and Cats \$20
 - Aggressive/Vicious Breeds of Dogs \$50
 - Seniors - \$10 per animal

2. Implement an online license renewal program. Staff have identified a program from an external vendor, the same vendor that manages the City of Vaughan’s online ticket payment process. This program request is included in the 2010 Capital Budget. The cost of the implementation of the online pet license program is \$45,000. The implementation timeline will be dependant on how the ITM department prioritizes the project.

The elimination of reduced cost licenses and the convenience of online renewals should provide increased fee revenues.

(If all licenses issued in 2008 had been sold at \$20, the revenue would have been \$36,380, as opposed to \$6,695).

Strategies still need to be identified to increase compliance with the pet licensing requirements. The City attempted to have door to door canvassers solicit the sales of licenses on a commission basis. This program was not successful.

Other municipalities across Canada use very aggressive enforcement strategies that have proven very successful. These strategies are costly to implement and maintain, and may not meet public expectations of pet licensing enforcement.

As the city of Vaughan moves towards having its own animal shelter late in 2010, the potential exists for developing adoption and licensing projects geared to increasing compliance with the licensing requirements. Talks are already underway with external suppliers to provide those purchasing animal

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licenses with valuable coupons or gifts. Additional reports will be provided as these initiatives take shape.

Impounds and Boarding Fees

Schedule 'A' also requires updating of the impounding fees. Currently, there is an escalating fee for repeat impounds, but the daily boarding fee remains unchanged and is unrealistically low (\$8 per day) compared to commercial boarding rates, generally \$20 - \$30 per day. The current cost of boarding a dog or cat does not result in a cost recovery model when compared against the costs of food and staffing to care for the animal.

As outlined in Table #3, staff are recommending changes to both the impound and boarding fees, to be phased-in over the next year.

Table #3

Impound Occurrence	Impound Fee (Current)	Boarding Fee per day (Current)	Impound Fee (Proposed)	Impound Fee (Proposed)	Boarding Fee per day (Proposed)	Boarding Fee per day (Proposed)
			Effective January 1, 2010	Effective November 1, 2010	Effective January 1, 2010	Effective November 1, 2010
First	\$15	\$8	\$18	\$20	\$12	\$20
Second	\$30	\$8	\$35	\$40	\$12	\$20
Third & Subsequent	\$50	\$8	\$55	\$60	\$12	\$20

Relationship to Vaughan Vision 2020/Strategic Plan

This report is in keeping with the Vaughan Vision Service Excellence strategic initiatives. The necessary resources have been identified and allocated

Regional Implications

Not applicable.

Conclusion

Fees associated to animal control have not been adjusted for several years. The Animal Control By-law 53-2002 should be amended to bring the animal licensing and impound fees in line with other municipalities.

Attachments

None

Report prepared by:

Tony Thompson

5. PROPOSED 2010 CAPITAL BUDGET

(Item 1)

MOVED by Councillor Shefman
seconded by Councillor Meffe

That the recommendation contained in the following report of the City Manager, the Commissioner of Finance/City Treasurer and the Director of Reserves & Investments, dated January 18, 2010, be approved; and

That the following deputations be received:

- a) Mr. Richard Lorello, 235 Treelawn Blvd., P.O. Box 927, Kleinburg, L0J 1C0;
- b) Mr. Savino Quatela, 134 Grand Valley Blvd., Maple, L6A 3K6;
- c) Ms. Deb Schulte, 76 Mira Vista Place, Woodbridge, L4H 1K8
- d) Mr. Nick Pinto, 57 Mapes Avenue, Woodbridge, L4L 8R4;
- e) Mr. Peter Pallotta, 254 Maria Antonia Road, Woodbridge, L4H 2Z4; and
- f) Mr. Stephen Roberts, 95 Bentoak Crescent, Thornhill, L4J 8S8.

CARRIED UNANIMOUSLY UPON A RECORDED VOTE

YEAS

NAYS

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

Recommendation

The City Manager, the Commissioner of Finance/City Treasurer and the Director of Reserves & Investments recommends:

1. That the consolidated recommendations of the Budget Committee as set out in the attachments to this report on the Proposed 2010 Capital Budget be received;
2. That deputations from the public be received; and
3. That the Proposed 2010 Capital Budget totalling \$50,063,409 comprised of fund of \$38,704,887 from Reserves and sources other than Taxation and Long-Term Debt (Attachment 2), \$4,579,000 from Long-Term Debt (Attachment 3) and \$6,779,522 from Taxation (Attachment 4) be approved subject to any changes as a result of public input.

Contribution to Sustainability

In the preparation of the proposed 2010 Capital Budget, staff took into consideration The Principles of Sustainability in how the City provides services and infrastructure as detailed in "Green Directions Vaughan".

Economic Impact

The proposed 2010 Capital Budget totals \$50,063,409 and is funded from a variety of sources (Attachment 1). The proposed 2010 Capital Budget is within Council approved policies with the

exception City Wide Development Charges – Fire Services and recognizes the limited tax dollar and limited resources available for capital work.

The future operating budget impact of the proposed 2010 Capital budget is \$3,517,334 or a 2.8% tax increase when the projects are complete.

Communications Plan

There was a public budget consultation forum on November 16, 2009. A series of Budget Committee meetings were advertised and were open to the public. In addition, the final Public meeting to consider the Capital Budget was advertised and a press release will be issued following Council approval. The highlights from the Capital Budget will also be incorporated into the overall communication strategy for the 2010 Budget.

Purpose

The purpose of the public meeting is to obtain input and provide the public with an overview of the Proposed 2010 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 maintaining existing infrastructure, growth and provisions of new servicing requirements for growth are balanced against available funding, the current financial impact on the economy and the impact on future operating budgets.

During the summer of 2009, the Federal and Provincial Governments announced the listing of successful projects totalling \$30.9M receiving funding under the Infrastructure Stimulus Fund (ISF) and the Recreational Infrastructure Program (RiNC). In total 177 projects were approved. Given the stringent program timelines for these projects, staff have given top priority to these projects and assigned staff accordingly. The proposed 2010 Capital Budget submission reflects the available staff resources to undertake or manage the projects being submitted for consideration.

The total capital funds requested equals \$90,511,753. The proposed 2010 Capital Budget submission totals \$50,063,409.

Capital projects are funded from four (4) main sources:

1. Development Charges;
2. Reserves;
3. Long Term Debt;
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) 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 compared to targets approved by Council:

	Projected <u>Dec. 31, 2009</u>	Approved <u>Target</u>
Net Development Charge Balance	\$81.7M	N/A
Discretionary Reserve Ratio	50.4%	< 50% of own source revenue
Working Capital	11.97%	< 10% of own source revenue
Debt Level *	6.3%	> 10% of own source revenue

*Includes Commitments for OSA and Vaughan Sports Complex. The calculation excludes the impact of issuing debt to fund the hospital contribution until the debt is actually issued.

Development Charge Reserves

For the projects submitted to be funded from Development Charges, the following Council endorsed guidelines 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 be increased; and
- 3) Commit no more than 50% of anticipated revenues for any service category that is already pre-financed.

Each department prioritized the capital projects within each development charge funding source. Finance staff have assessed the funding availability and established a specific funding line for each funding source. With the exception of Fire Services, the 2010 Capital Budget is within these guidelines. Overall development charge accounts should have a positive balance notwithstanding the deficit in the Management Studies and Fire Services development charge accounts.

Taxation

Capital projects identified for taxation funding are non-growth projects that have no 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 is \$6,629,522 from the 2010 Operating Budget. The 2010 taxation funded requests total \$23,308,535. This was a challenging task as a number of projects will not receive funding without increasing the allocation of tax funding from the operating budget. Given that there are insufficient funds provided from the 2010 Operating Budget to fund all the taxation funded capital projects, staff reviewed the list of previously approved taxation funded projects to determine potential surplus funds. Staff have identified \$150,000 from previously approved taxation funded capital projects. As a result, the reviewed amount available for taxation funded capital projects is \$6,779,522 (Attachment 4). Any approval of taxation funded capital requests in excess of \$6,779,522 would have an additional impact on the 2010 Operating Budget and the property tax rate.

Long Term Debt

The Capital projects identified for long term debt financing are typically large projects (road resurfacing, road reconstruction and 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 totalling \$4,579,000 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 proposed 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 obligation is 4.8% of net revenue fund, revenue well within the 25% maximum allowed under the regulation. The City's debt limit policy utilizes a more conservative definition of "own source revenues". The debt ratio under the City's policy is 6.3%.

The issuance of the long term debt as identified in the 2010 Capital Budget will have an estimated future annual operating budget impact of approximately \$593,000. This amount will depend on interest rates at the time of issuance.

Operating Budget Implications

The Proposed 2010 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 \$3,517,334 or 2.8% in property tax rate increase when the projects are complete. This excludes any life cycle costs associated with the projects.

Relationship to Vaughan Vision 2020/Strategic Plan

The budget process links the Vaughan Vision 2002 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 with the Senior Management Team and Finance staff have reviewed the 2010 capital submission and established priorities and appropriate funding lines. The Proposed 2010 Capital Budget is \$50,063,409.

The operating budget implication for the proposed 2010 Capital budget included in this report is \$3,517,334 or approximately 2.8% property tax increase when the projects are complete.

Attachments

- Attachment 1 – Proposed 2010 Capital Budget Funding Summary
- Attachment 2 – Proposed 2010 Capital Budget Funded other than Taxation and Long Term Debt
- Attachment 3 – Proposed 2010 Capital Budget Funded from Long Term Debt
- Attachment 4 – Proposed 2010 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.)

6. PROPOSED 2010 OPERATING BUDGET

(Item 2)

MOVED by Councillor Carella
seconded by Councillor Di Vona

That the recommendation contained in the following report of the City Manager, Commissioner of Finance/City Treasurer and the Director of Budgeting and Financial Planning, dated January 18, 2010, be approved; and

That the following deputations and written submissions be received:

- a) Ms. Marilyn Iafrate, 55 Marwood Place, Maple, L6A 1C5;
- b) Mr. Frank Greco;
- c) Ms. Deb Schulte, 76 Mira Vista Place, Woodbridge, L4H 1K8; and
- d) Mr. Richard Lorello, 235 Treelawn Blvd., P.O. Box 927, Kleinburg, L0J 1C0, and written submissions (2).

CARRIED UNANIMOUSLY UPON A RECORDED VOTE

YEAS

NAYS

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

Recommendation

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

- 1) That the consolidated recommendations of the Budget Committee as set out in the attachments to the report be received; and,
- 2) That the presentation on the Proposed 2010 Operating Budget be received; and,
- 3) That the deputations from the public be received; and
- 4) That the Proposed 2010 Operating Budget be approved subject to any changes as a result of public input; and,
- 5) That the tax rate adjustment associated with the Vaughan Health Campus of Care financing strategy approved on June 15th, 2009 be implemented.

Contribution to Sustainability

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

The approach to the 2010 operating budget seeks to minimize the current year requirements, while meeting the requirements of sustainability. Specific actions included in the 2010 Operating Budget Guidelines include:

- i) Reducing specific budgets below 2009 levels;
- ii) Freezing the majority of budgets at 2009 levels;
- iii) Introducing voluntary time-off without pay;
- iv) Evaluating vacant staff positions prior to recruitment;
- v) Implementing a strategy to increase non-taxation revenues.
- vi) Significant public engagement
- vii) Balancing additional resource requests with funding availability

Collectively these actions have reduced the requirement to increase taxes.

Economic Impact

The attached Proposed 2010 Operating Budget, Attachment 1, reflects the requirement for a taxation funding increase of \$3.34m, an approximate property tax increase of \$29.81 a year (\$2.50 per month) on the average home re-assessed at \$459,367 or a 2.65% tax increase.

The Proposed 2010 Operating Budget increase of \$3.34m is largely driven by the following:

1. Community Facilities - \$1.8m increase for a new community centre and civic centre
2. Community Safety - \$1.1m increase for major road repairs and 10 additional firefighters;
3. Increases for additional service improvements and general city pressures (\$0.44m net).

As illustrated above, more than 80% of the taxation funding increase is directly related to community service and community safety. The remaining portion of the increase relates to additional service improvements (e.g. implementing green direction strategies or renewing the City's economic development strategy, etc.) and general City pressures to maintain levels of service.

Local Hospital Levy - The City has taken steps to bring a much needed hospital and other health care resources to Vaughan. The Government of Ontario requires local communities to support the development of a hospital through a local financial contribution. It should be noted the financial support and plan for the Vaughan Health Campus of Care Hospital was approved on June 15th, 2009. The approved 2010 residential property tax increase associated with the separate Hospital Capital Levy is approximately \$7.75 or 0.69% for the average home assessed at \$459,367. This increase is in addition to the tax rate increase illustrated above to support the City's operations.

Communications Plan

Public consultation and input are important elements of the 2010 budget process and essential to validate the needs of the community and balance them within available resources. Throughout the budget process a number of public input opportunities were provided using a mixture of public engagement activities. These are further expanded below.

Early Public Engagement – Through on-line activities and public forums the City of Vaughan has engaged the community and generated public participation.

- The 2010 Budget Guidelines were approved, 2009 at a public budget meeting.
- Early in the summer, the City's 2010 Guidelines were posted on-line and residents were asked if the City is taking the right approach.
- A Public Budget Forum was held on November 16th to inform the public regarding the City's draft 2010 budget and obtain community input. In the interest of obtaining maximum community feedback, the forum content and survey questions were placed on the City's website for citizens to review and provide their input. The results of these events were presented to the Budget Committee on December 7th.

- On December 4th, 2009, a draft budget overview was presented to the Chamber of Commerce by the Budget Chair and City Manager to inform and engage chamber members.

Continuous Opportunity for Input – Throughout the budget process, six scheduled Budget Committee meetings were held and open to the public. A number of Vaughan residents attended these meetings and provided their input into the process through deputations and discussion. These meetings were held on November 3rd, 10th, December 1st, 7th, 14th, and January 11th.

In addition to the Budget Committee meetings and budget forums, there is a final opportunity for the public to provide input at a Special Council meeting before the budget is approved. Public notification of the January 18, 2010 event is consistent with the City's public notification by-law.

Final Budget Approval Communication - 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. Key information will also be provided on the City's website and fact sheets will be provided to key stakeholders.

Purpose

The purpose of the Special Council Meeting is to obtain public input and to provide the public with an overview of the Proposed 2010 Operating Budget, including the major service improvements, enhancements and pressures the municipality is facing and corresponding tax adjustment on an average Vaughan household.

Background - Analysis and Options

Executive Summary

Over the past 18 months, North America has witnessed a significant economic downturn, characterized by stock market meltdowns, bankruptcies, and high unemployment rates. Fortunately, the City of Vaughan is able to weather this economic storm as a result of the City's very strong financial position, resulting from the City's long standing dedication to financial management through progressive best practices and prudent policies. In this regard, the City of Vaughan has been very successful. Vaughan has consistently had one of the lowest property tax rates in the Greater Toronto Area while providing high quality services to the community.

The Proposed 2010 Operating Budget is based on budget guidelines that were adopted by the Budget Committee on June 23rd, 2009. A founding principle of the budget guidelines was to maintain service levels and support Vaughan's Vision with a minimum impact on taxes. In addition, public engagement was a vital and ongoing element of the 2010 budget process and essential to validate the needs of the community and balance them within available resources. Throughout the budget process a number of public input opportunities were provided. Of the residents participating, the majority responded that Vaughan is focusing on the right improvements, taking the right approach, providing the right local services, and offering good value for their tax dollars.

The Proposed 2010 Operating Budget, including any recommendations stemming from Budget Committee and Council deliberations, reflects the requirement for a taxation funding increase of \$3.34m. This represents a property tax increase of approximately \$29.81 a year (or \$2.50 per month) on the average home re-assessed at \$459,367 or a 2.65% tax increase. The Proposed 2010 Operating Budget increase is largely driven by the following:

1. Community Facilities - \$1.8m increase for a new community centre and civic centre
2. Community Safety - \$1.1m increase for major road repairs and 10 additional firefighters;
3. Increases for additional service improvements and general city pressures (\$0.44m net).

As illustrated above, more than 80% of the taxation funding increase is directly related to community service and community safety. The remaining portion of the increase relates to additional service improvements (e.g. implementing green direction strategies or renewing the City's economic

development strategy, etc.) and general City pressures to maintain levels of service.

Guidelines designed to provide the lowest possible tax increase

For several years, the City's rigorous budgetary process has focused on containing costs and implementing best practices, with the goal of demonstrating leadership in financial management. This year's Budget guidelines continue to build on these core values, prudent processes and successful business practices. Vaughan has always taken the management and stewardship of public funds very seriously and due to the current economic environment, the City's approach to the annual operating budget has an even greater focus on financial constraint and tightening the budget. This was accomplished through the following actions:

Cost Containment Actions

1. Freeze most account budgets at 2009 levels
2. Reduce selected budgets below 2009 levels
3. Vacancy evaluation prior to recruitment
4. Voluntary time off without pay
5. Zero impact adjustments
6. Strict process to evaluate funding requests
7. Thorough multi-layered review process

Business Improvement Actions

8. Explore opportunities through service reviews & continuous improvement
9. Reinforce strategic priorities through business planning and measures
10. Increase revenue through user fee reviews
11. Early and continuous public participation

The City's approach to the annual operating budget is to first issue very strict budget guidelines to develop the **Base Budget**. Under the guidelines, departments are only permitted to include very specific adjustments in their base budget and typically related to predetermined agreements, contracts or Council approvals/reductions. For example, there is no across the board increase for inflation and no increase for new staffing. To the extent that a department requires additional resources, a separate business case must be submitted for consideration. These are referred to as **Additional Resource Requests (ARR)** and are individually vetted through the Senior Management Team, the Budget Committee and finally Council. Further details with respect to the budget guidelines are provided as Attachment #3.

The approach, guidelines and actions recommended represent prudent management practices and are appropriate given the demand for services are increasing at the same time the community is experiencing a modest economic recovery. The objective of separating the process into the base budget and additional resource requests is to identify the minimum resources that are required to maintain the City's service levels and fund other municipal requirements.

Base Budget

Although there are many components to the City's base budget, there are a few significant adjustments to be highlighted. In the absence of these adjustments, there would be a decrease in the base budget. These items and their affect on the budget are illustrated in the following table.

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Major 2010 Budget Adjustments	Budget Adjustment Amount	Property Tax Effect	
		\$	Rate %
2010 Base Budget Change	2,059,208	18.40	1.63%
Less: Infrastructure Impacts			
North Thornhill Community Centre- Net Adjustment	1,246,000		
Roads Program Long-Term Debt Payments	750,000		
Civic Centre Operations	550,000		
Subtotal	(2,546,000)	(22.75)	-2.03%
Less: Unanticipated Revenue Impacts			
Supplemental Taxation Process Change Affect	500,000		
PowerStream Lease Expiry	425,000		
Specific User Fee Net Reductions (Parks, Enforcement, COA)	450,000		
Subtotal	(1,375,000)	(12.29)	-1.09%
Base Budget Without Major Adjustments	(1,861,792)	(16.63)	-1.49%

As noted in the chart above, excluding the above items would result in a decrease in property taxes.

Additional Resource Requests (ARR's)

As noted previously, additional resource requests are submitted on an individual basis and assessed on their respective merits. There were 40 requests received amounting to \$1.9m, which by themselves represents a 1.51% tax increase. Senior Management spent a significant amount of time reviewing and discussing each request. The result was a recommendation to support 26 of the 40 requests totaling \$1.3m, a 1.02% or \$11.41 increase per year to the average residential property in Vaughan. This recommendation was vetted through the Budget Committee and adopted by Council.

It is important to note, all funding requests submitted had merit; however, the current economic environment requires a focus on financial constraint and tightening the budget. As a result, some requests were deferred, without guarantee or special consideration, to next year's process. Executing this type of financial constraint will impact on the City's ability to maintain some service levels. A high-level summary of the additional resource request recommendation is provided as Attachment #2.

Combined Base Budget and Additional Resource Requests

The combined impact of the base budget and the additional resource requests is approximately \$29.81 a year on the average home re-assessed at \$459,367 or a 2.65% tax increase.

Areas of Uncertainty/or Risk

Notwithstanding the due diligence that has been exercised in preparing the budget, there are areas of uncertainty or risk. These areas are detailed below:

Harmonized Sales Tax and Provincial Offences Act – In December 2009, the Province approved the new Harmonized Sales Tax (HST) structure which will come into effect on July 1st, 2010. At this point, the determination of the impact of HST on the operating budget is uncertain, as there are many transition rules for 2010 to consider that may impact agreements, leases, etc. However, staff continue to review HST information and will be planning the implementation of the new tax rules from an accounting, systems, purchasing and revenue stream perspective.

An amended Inter-municipal Provincial Offences Act Agreement was recently approved at the Region of York, Finance and Administration Committee. The revenue sharing amendments among the municipalities will favourably impact the City's 2010 operating budget. However, this is contingent on agreement approval by each area municipality.

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The impacts of the HST legislation and the amendments to the POA agreement are not final, however the preliminary impacts appear to be offsetting and therefore a provision has not been separately identified in the Proposed 2010 Operating Budget.

Investment income – As a result of the recent recession, investment rates have declined. As the economy begins to recover interest rates are expected to rebound, but the magnitude and speed of there recovery is uncertain. Based on this situation, the 2010 investment income budget remains at 2009 levels.

It is important to note, the above illustrated topics are largely dependant on external circumstances. Based on information available to date, budget assumptions were made. Staff is cautioning the City with respect to these items. There will be an impact on the City's year-end position should these assumptions change.

Quick Facts

The following information is provided for quick reference to assist in providing the public and Council members with a context within which to assess the Draft 2010 Operating Budget.

Average 2010 Residential re-assessment	\$459,367
Total 2009 Taxes levied on the average assessed home	\$4,419
2009 City of Vaughan portion (25%)	\$1,123
2009 Vaughan Health Campus of Care Hospital Capital Levy	\$22
2009 Reduction for qualifying seniors	\$290
A 1% increase in the tax rate generates	\$1.26m
Impact of a 1% increase on the average home	\$11
2010 Assessment Growth (Projected)	3.73%

Proposed 2010 Operating Budget Review

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 2010 Operating Budget, the remainder of the report is dedicated to reviewing the budget in the following components.

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

2010 Base Budget under the Guidelines

Based only on the budget guidelines, the City's Proposed Operating Budget is approximately \$204m and reflects a \$2.1m funding increase over 2009. This equates to a 1.63% tax rate increase **excluding** the budget impact of the recommended additional resource requests. The Proposed 2010 Operating Budget includes an anticipated \$2.5m surplus carried forward from 2009 and includes \$2.8m from the Tax Rate Stabilization Reserve. This is consistent with prior year recommendations and Council direction.

An integral component of the 2010 Operating Budget Guidelines was the freezing and reducing of account lines outside of the specific areas permitted. In order to check adherence to this guideline,

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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 and approved by SMT. Through budget submission reviews and assurances from Commissioners and Directors, there is a very high level of confidence that approved guidelines were followed.

The Budget Guidelines were designed to limit expenditure increases and this exercise has been successful as demonstrated by a total department expenditures increase of only 3.2%, which represents a \$5.5m increase in departmental expenses over 2009. Roughly one half of the 3.2% increase is attributable to an increase in labour costs, largely a result of the full-year impact associated with recreation and facility staff to support the North Thornhill Community Centre. It should be noted, these costs are partially offset through recreation revenues. Also experienced, were increases related to external service contracts, including increases in snow clearing, animal control, waste management, utility increases, and insurance premiums. These services are generally contracted, competitively tendered and awarded to the lowest bidder. The remaining balance consists of approved non-salary adjustments for the operation of the New Civic Centre and North Thornhill Community Centre, a third party lease expiry, and the conclusion of the Development Planning department's two year mitigation strategy. The above department adjustments were offset by reductions in specific accounts amounting to \$263k.

To assist Council in assessing the Proposed 2010 Base Operating Budget and the associated 1.63% tax rate increase resulting from the budget guidelines, the following summary is provided.

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<u>Base Budget Change Summary</u>	<u>Budget Change</u>		<u>Property Tax Effect</u>	
<u>Guideline Expenditure Increase</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
<u>Labour Costs</u>				
-2009 Complements Gapping	200,000			
-Full Year - North Thornhill Community Center	1,693,765			
-Progression	244,254			
-Part Time Library 4% Vac Pay	130,000			
-Overtime 10% Reduction	(122,090)			
-All Other items	<u>332,191</u>	2,478,120	2.3%	\$22.14 1.97%
<u>Contractual Obligations</u>				
-Winter Control	370,210			
-Animal Control	121,000			
-Waste Mgmt	111,155			
-Applewood Bridge Mtce	146,920			
-York Region Blvd Mtce	(200,000)			
-Other Items	<u>284,707</u>	833,992	2.8%	\$7.45 0.66%
<u>Utilities</u>				
		846,648	12.4%	\$7.56 0.67%
<u>Insurance</u>				
		452,000	20.0%	\$4.04 0.36%
<u>Meals, Furniture & Equipment, Travel, Sundry 10% Reduction</u>				
		(140,692)		-\$1.26 -0.11%
<u>Other Account Changes</u>				
- New Civic Center	157,565			
- North Thornhill Community Center	270,125			
- Planning Mitigation Strategy Conclusion	300,000			
- PowerStream Lease Expiry	425,000			
- Other Miscellaneous Items	<u>(99,165)</u>	1,053,525		\$9.41 0.84%
Total Departmental Expenditure Increase		5,523,593	3.2%	\$49.34 4.39%
Fees / Service Charges				
Recreation	1,724,035	11.3%	\$15.40	1.37%
Parks Operations	(350,360)	-75.4%	-\$3.13	-0.28%
Economic Business Development	(239,595)	-47.3%	-\$2.14	-0.19%
Enforcement Services	(145,000)	-7.4%	-\$1.30	-0.12%
Other	(147,929)	-0.5%	-\$1.32	-0.12%
Less: Increase in Fees & Service Charges		841,151	2.6%	\$7.52 0.67%
Net Departmental Change (Excluding Reserve Transfers)		4,682,442	2.3%	\$41.84 3.73%
Corporate Expenditures				
- Roads Program Long Term Debt	750,000	9.1%	\$6.70	0.60%
- Contingency	2,576,932	109.3%	\$23.02	2.05%
- Capital from Taxation	64,775	1.0%	\$0.58	0.05%
- General Corporate & Elections				
Infrastructure Policy	34,000			
Joint Services Agreement	168,845			
Corporate Insurance	124,575			
Election Costs	985,000			
Corporate Salary Gapping	<u>(1,000,000)</u>	312,420	5.1%	\$2.79 0.25%
Total Corporate Expenditure Change		3,704,127	15.86%	\$33.09 2.95%
Corporate Revenues				
- Tax Supplemental	(500,000)	-18.5%	-\$4.47	-0.40%
- Other Reserve Withdrawals	1,302,945	8.2%	\$11.64	1.04%
- Hydro Dividends	674,190	27.0%	\$6.02	0.54%
-Tax Fines & Penalties	200,000	4.3%	\$1.79	0.16%
- Other Corporate Revenue	130,645	1.3%	\$1.17	0.10%
Total Corporate Revenue Change		1,807,780	5.0%	\$16.15 1.44%
Net Corporate Budget Change (Rev. & Exp)		1,896,347	3.6%	\$16.94 1.51%
Net Department & Corporate Change		6,578,789	2.30%	\$58.78 5.23%
Less: Assessment Growth (Estimate)		4,519,581		\$40.38 3.60%
Total		2,059,208		\$18.40 1.63%

Base Budget Revenue Review

As illustrated in the Base Budget Change Summary, overall revenues increased \$2.6m or 3.7% from 2009 levels, excluding assessment growth. The primary factors contributing to the increase are as follows:

- Corporate Revenues increased by \$1m:
 - PowerStream dividends increased by \$674k based on net income projections. This accounts for the majority of the increase.
 - Property tax fines and penalties increased \$200k to better reflect historical trends and keep inline with the growing tax base.
 - The remaining balance consists of adjustments to POA revenue, tax certificates, etc.
- User Fees / Service Charges increased by \$841k:
 - Recreation revenues increased by \$1.72m largely due to the full-year impact of the North Thornhill Community Centre. This increase is largely offset by similar expenditure value increases.
 - Parks Operations revenue dropped \$350k as a result of York Region cancelling a boulevard maintenance contract. Overall, the net impact to the City is \$150k and the reduction in revenue is met with a \$200k reduction in expenses.
 - Economic & Business Development revenue decreased \$239k as anticipated due to the removal of the one-time Communities in Bloom Symposium revenues and costs.
 - Committee of Adjustment and Enforcement Services revenues experienced reductions of \$119k and \$145k, respectively. The reduction in Committee of Adjustment revenue is related to a recent steep drop in applications. The revenue adjustment in Enforcement Services is necessary to correct revenue expectations.
- Funding from reserves increased by \$1.3m:
 - The largest component of the increase in reserve funding is related to an increase in funding from the elections reserve of \$985K to cover the anticipated costs of the 2010 municipal election. This revenue stream is offset by a similar expense amount in the corporate and election section resulting in a zero budget impact.
 - The second largest component of the increase is related to a \$452k increase in insurance premiums. Almost 55% of the increase is related to general price increases. The remaining balance is associated with premiums for shared facilities, Civic Centre construction/demolition overlap premiums, and an increase in deductible payments for anticipated settlements.
 - A preliminary study on the cost sharing of administration activities between the City and Water/Waste Water services indicated there are more costs the City should be recovering. As a result, the existing recovery was conservatively increased by \$200k to account for this.
 - Continuing with the phase-in of 2009 winter control increases, largely due to contract price increases, the initial \$700k winter control withdrawal is reduced to \$350k. The final impact associated with this initiative will occur in 2011.

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- Lastly, adjustments occurred in the Engineering, Fleet, Building Standards, and Parks reserves as a result of activity, departmental costs changes, and anticipated growth trends for these services.
- Supplemental Taxation decreased by \$500k:
 - The decrease in supplementals is a result of a change in the administration of supplementals. In 2009, MPAC moved up the cut-off period for processing supplementals by 6 weeks. As a result, new properties after this point are deferred to a future assessment roll.

Assessment Growth

For 2010, assessment growth is estimated at approximately 3.73%, which translates into roughly 3,500-4,000 new homes contributing an additional \$4.5m in property taxes. This is somewhat higher than the 3.19% figure experienced in 2009 and reveals a positive sign of the recovering economy. Although not specifically allocated, these funds help offset the increasing service costs associated with community growth. To illustrate this point, listed below are just a few of the many 2010 growth additions to the City:

- North Thornhill Community Centre
- New Civic Centre
- 64 km of roads
- 36 km of sidewalks
- 3,000 new waste/recycling collection stops
- 853 additional streetlights
- 22.8 ha of Parkland + play structures
- 2 ha 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 2010 Operating Budget is the following estimate of major staffing, contract, utility, maintenance, and associated renewal costs supporting growth.

• Full year impact of North Thornhill	\$1.3m
• New Civic Centre	\$550k
• 2009 complement gapping	\$200k
• Expanding roads repairs due to a growing road network	\$750k
• Service contract volume increases	\$592k
• <u>Utility volume increase</u>	<u>\$683k</u>
Base budget growth impact	\$4.08m
• <u>Growth related portion of additional resource requests</u>	<u>\$1.0m</u>
Illustrated 2010 growth impact	\$5.08m
<u>Assessment Growth</u>	<u>\$4.52m</u>
Funding Shortage	\$560k

As illustrated above, the costs associated with growth, excluding the costs of new infrastructure co-funding, other infrastructure renewal, and associated overhead costs, typically 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 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.

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Otherwise, by default, there would be a requirement to fund cost increases through the property tax rate.

A concern that revenue might not keep pace was anticipated and as a result the guidelines included a requirement for all User Fees and Service Charges to be increased in relation to department cost increases and at minimum by the rate of inflation. This exercise reduced the Proposed 2010 Operating Budget by approximately \$44k, which is provided for in contingency until the proposed User Fee / Service Charge increases are approved by Council. A separate report on this topic is provided for public input and Council consideration.

Approximately 90% of the City's user fees are generated by the following 5 areas:

- Recreation
- Building Standards
- Planning and Committee of Adjustment (COA)
- Enforcement Services
- Licensing

As a result, the majority of the above departments have conducted various fee studies. Some studies were caused by legislative requirements and staff initiated a number of other in-depth studies, resulting in the development of cost recovery policies, principals, and targets endorsed by Council. Detailed below is a summary of department and estimated full cost recovery ratios for these areas based on 2010 base budget figures.

2010 Department Budgeted Recovery (Figures in Thousands)	Recreation	Licensing	Enforcement	Planning	COA	Building Standards (OBC)	Building Standards (Non-OBC)
Revenues	\$ 16,920	\$ 830	* \$ 2,712	\$ 2,433	\$ 372	** \$ 8,025	\$ 329
Expenditures	17,894	535	\$ 4,220	2,510	525	5,012	620
Subsidy/(Surplus)	974	(295)	1,508	77	153	(3,013)	291
Dept Budget Recovery Ratio	95%	155%	64%	97%	71%	160%	53%
Full Cost Estimate (ABC Model)	*** \$ 37,782	\$ 1,131	\$ 4,133	\$ 5,375	\$ 909	\$ 8,025	1,181
Subsidy/(Surplus)	20,862	301	1,421	2,942	537	-	852
Full Cost Recovery Ratio	45%	73%	66%	45%	41%	100%	28%
Policy Recovery Goal	100% Dept. Cost	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 \$200,000 draw from Building Standards Continuity Reserve

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

Note: Does not include estimated economic adjustment for 2010

As illustrated above, most areas are recovering more than 70% of their budgeted department costs. 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 economic uncertainty and the affects of the economic slowdown. Licensing is also achieving their target of recovering business licensing full costs. However, department full cost recovery is lower than 100% as a portion of the department is devoted to risk management and some licensing fee restrictions exist related to lottery, livestock, etc. Recreation is recovering 95% of their departmental costs, which is inline with their fee policy targets. This figure will be adjusted down once labour negotiations are settled. Enforcement Services, with the inclusion of Provincial Offences Act (POA) revenue is recovering approximately 64% of their department cost. Enforcement Services' full cost recovery ratio is the same as their department recovery ratio, as other department overhead allocations are offset by a large portion of their departmental expenditures being allocated to other departments, i.e., Fire, Building Standards, Parks, etc. The recovery ratio is anticipated to improve over time with the implementation of the Administration Monetary Penalties initiative intended to streamline the process and improve collection efforts. No policy is in place for recovery of enforcement revenue as the service is driven by compliance rather than service. Planning and COA revenues are recovering 97% and 71% of their department costs and falling significantly short of achieving the goal of full cost recovery. This is largely a result of declining application volumes caused by the economic slowdown and housing capacity allocation restrictions, which has decreased their full cost recovery to below 50%.

As demonstrated above, most areas are recovering most 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 neighboring municipalities. This is another indication of the City managing its finances in a prudent manner.

Base Budget Expenditure Review

As illustrated in the Base Budget Change Summary, total expenditures increased \$9.2m over 2009 levels. The primary factors contributing to the increase in City expenditures are as follows:

Departmental Expenditures

Approximately \$5.5m of the base budget expenditure increase is related to pressures experienced in departmental expenditures, including the \$160k Library Board increase. This represents an increase of 3.2% over the 2009 departmental budget, largely due to the full-year impact of the North Thornhill Community Centre and New Civic Centre requirements.

- Of the total departmental budget increase, approximately 45% or \$2.5m is associated with labour costs adjustments. The largest component of this increase is related to the full-year recreation and facility impact of the North Thornhill Community Centre, approximately \$1.7m, which is partially offset by an associated increase in recreation revenue. The full year affect of 2009 gapping accounts for another \$200k. The remaining balance is related to progression, part-time surveys, and inclusion of library vacation pay not previously budgeted. These balances were offset by a \$122k reduction in overtime, as per approved guidelines.
- The second largest component of the department expenditure budget increase is related to pressures from contract services (\$834k) and utilities (\$847k). These increases are typically the result of increasing demands on services due to growth and industry price obligations. Overall contract service lines increased 2.8% and are specifically related to animal control, waste management, winter control, ITM services, parks maintenance, etc. Utilities increased 12.4%, which is largely related to the addition of a new community centre, new civic centre, additional parks and streetlights.
- Department insurance expenses increased by \$452k or 20%. Almost 55% of the increase is related to higher prices. The remaining balance is associated with premiums for shared facilities, Civic Centre construction/demolition overlap premiums, and an increase in deductible payments for anticipated settlements.
- PowerStream provided advance notice of their intention to transfer their operations to another centre as of March 2010. As a result, the Building and Facility department third party lease revenue was adjusted down by \$425k.
- Development Planning and Planning Policy department expenses increased by \$300k due to the conclusion of Planning's 2 year mitigation strategy.
- The above department budget increases were offset by specific account reductions in meals, overtime, furniture, sundry, and travel totaling \$263k.

Corporate Expenditures

The remaining \$3.7m increase in City expenditures are related to pressures experienced in corporate expenditures. This represents an increase of 15.86% over the 2009 corporate expenses. Explanations for the budget increase are as follows:

- The repayment of long term debt increased by \$750k or 9.1%. Debt has previously been issued primarily to fund major road projects.

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- A \$2.6m expenditure increase is also experienced in the City’s contingency account and relates to ongoing labour negotiations and certain foreseeable events. It should be noted that all but one labour agreement will be in negotiations in 2010. Once the outcomes of these events are determined, balances will be reallocated to the appropriate department budgets.
- Corporate and election expenses increased by \$312k, mainly as a result of a one-time \$985k budget increase to administer the 2010 municipal election. This cost is fully funded by a transfer from the election reserve and therefore results in a neutral impact on the budget. Increases in joint service payroll expenses and corporate insurance costs were also experienced. The above increases were largely mitigated by an increase in corporate gapping to reflect a 2% turnover rate.
- Capital from taxation increased \$65k to partially fund the following capital projects (i.e. Kipling South feasibility study, Concord West streetscape, Kleinburg artificial turf, and the relocation of selected roundabout pedestrian crossings in Thornhill Woods).

Expenditures Review – Degree of Flexibility

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

Operating Expenditures	2010 Base Budget	2010 Budget %	2010 Cumulative %
Salaries and Benefits	110,123,786	53.96%	53.96%
Service Contracts	30,657,141	15.02%	68.98%
Reserve Contributions	10,015,845	4.91%	73.89%
Long Term Debt	9,000,000	4.41%	78.30%
Maintenance/Materials	8,208,513	4.02%	82.32%
Utilities & Fuel	7,805,564	3.82%	86.15%
Capital from Taxation	6,650,250	3.26%	89.41%
Contingency	4,935,272	2.42%	91.82%
Insurance Expenses	2,640,000	1.29%	93.12%
Professional Fees (Including OMB)	2,291,230	1.12%	94.24%
Tax Adjustments	1,400,000	0.69%	94.93%
Election Costs	985,000	0.48%	95.41%
All Other	9,368,140	4.59%	100.00%
Total 2010 Base Budget Expenses	204,080,741	100%	100.00%

The summary above illustrates that the City has limited flexibility in any given year to significantly alter the City’s cost structure in the short term. More than 75% of the costs are committed through collective agreements, service contracts, and financing arrangements. Other reductions will impact the maintenance and repair of the City’s infrastructure.

Considering Factors Other Than CPI When Assessing the Budget

When assessing the Proposed 2010 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 if planned repairs are required.

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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.

<u>Component</u>	<u>% of Budget</u>	<u>Cost Increase</u>	<u>Weighted Avg.</u>
Salaries & benefits	53.96%	2.60% - Hewitt Survey/Ministry figures	1.40%
Contracts & materials	19.04%	6.50% - Historical based	1.24%
Utilities & fuel	3.82%	1.30% - CPI energy blend	0.05%
Capital funding	12.58%	-5.10% - Non-residential const. index.	-0.64%
All Other	10.60%	1.50% - CPI Core	0.16%
Base Inflationary Increase estimate			2.21%
Base Inflationary Increase + 3.7% growth estimate			5.91%

Consideration must be given to all factors when assessing the budget and associated tax increases. It is important to note the City's total department and overall City expenses include growth impacts, which are not included in the above municipal price index. This clearly demonstrates Vaughan's solid and effective financial management, as stripping growth components from Vaughan's expenditure increase would yield cost increases below the above illustrated guide. Adding a 3.7% growth component to the municipal index would increase the percentage guide to close to 6%. Total City expenditure increases are much lower than the adjusted percentage guide; clearly illustrating Vaughan is managing its finances and providing the tax payer with value.

Cautionary note: The Ontario CPI figure released as of November 30th, 2009 was 1.0%, substantially below the traditional 2% year over year increase. The main cause for this decrease is related to decreases in the energy sectors, specifically fuel. However, in the month of November gasoline prices increased 14.1%, reversing the extended 2009 downward trend. Overall, energy prices rose 1.3% year over year. Stripping energy and food costs from the Ontario CPI figure adjusts the figure to approximately 1.5%. This is called the Core CPI basket and is a more realistic figure for general municipal expense types. This rate is applied to the "other" category of the municipal index.

Review of Specific Expense Categories

Historically, Budget Committee has inquired about specific accounts and the budgeted amounts. For reference purposes, we have included a summary of specific expense lines to illustrate the budget changes in these accounts.

<u>Account of Interest</u>	<u>2010 Base Budget</u>	<u>2009 Budget</u>	<u>\$ Variance Inc./Dec.</u>	<u>% Change</u>
Advertising	405,023	502,823	(97,800)	-19.45%
Computer Hardware/Software	710,725	799,110	(88,385)	-11.06%
Cellular Telephones	236,635	232,390	4,245	1.83%
Grouped Expenses	137,980	175,900	(37,920)	-21.56%
Office Equip. & Furniture	184,191	241,375	(57,184)	-23.69%
Office Supplies	300,099	286,574	13,525	4.72%
Overtime	933,907	1,031,190	(97,283)	-9.43%
Part Time	13,413,616	12,464,900	948,716	7.61%
Professional Fees (Excluding OMB)	1,891,230	1,968,725	(77,495)	-3.94%
	18,213,406	17,702,987	510,419	2.88%

Specific Account Increases

Of particular note is the part time variance, which is a result of the full-year operations of North Thornhill Community Centre. In addition, there is a slight increase in part-time to account for Library part-time vacation pay, which was not included in prior year board recommendations. The remaining balance is related to maternity leave adjustments and other smaller department impacts. Excluding the part-time increase from the above list would result in an overall \$438k decrease in these accounts.

The remaining account increases in cellular and office supplies are caused by either budget reclassifications to better reflect the true nature of the expense or reallocations to more accurately align budgets with actual results. It is important to note that adjustments of this type have a neutral impact on the budget, due to offsetting adjustments.

Specific Account Decreases

The reduction in overtime is a direct result of the approved budget guidelines. The total decrease including benefits is approximately \$122k. Meals, furniture, travel, and sundry, were also reduced in a similar fashion, increasing the total reduction as per the guidelines to approximately \$263k.

The reduction in advertising is related to a reallocation of \$63k in Public Works to the promotion and education account. The remaining balance is in Economic Development and related to removing 2009 one-time funding for the Communities in Bloom Symposium Conference.

Reductions in computer hardware/software and office equipment and supplies is mainly attributable to the removal of 2009 one-time funding amounts, minor reclassification of expenses to better reflect actual requirements, and a reduction as a result of the approved budget guidelines.

The remaining account reductions in professional fees and grouped expenses are caused by either budget reclassifications to better reflect the true nature of the expense or reallocations to more accurately align budgets with actual results. The reduction in professional fees is mainly related to reallocating funds in the Integrity Commissioner budget from professional fees to casual part-time and other accounts. The reduction in grouped expenses is related to reclassifying Recreation and Economic Development department's expenses to better align budgets with actual results.

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

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 40 additional resource requests with a total annual cost of approximately \$1.9m. This figure includes the Library Board's additional resource requests totaling \$109k. Understanding the current economic climate departments have demonstrated financial constraint and have only put forward requests they consider absolutely necessary, despite the tremendous challenges experienced to maintain existing service levels. This is clearly demonstrated by a 65% reduction in the additional resource requests from last year's process.

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. All additional resource requests were evaluated based on their merits and the following criteria:

- Mitigating municipal risk;
- Municipal value;
- Maintaining service levels;
- Achieving the Vaughan Vision initiatives, etc.

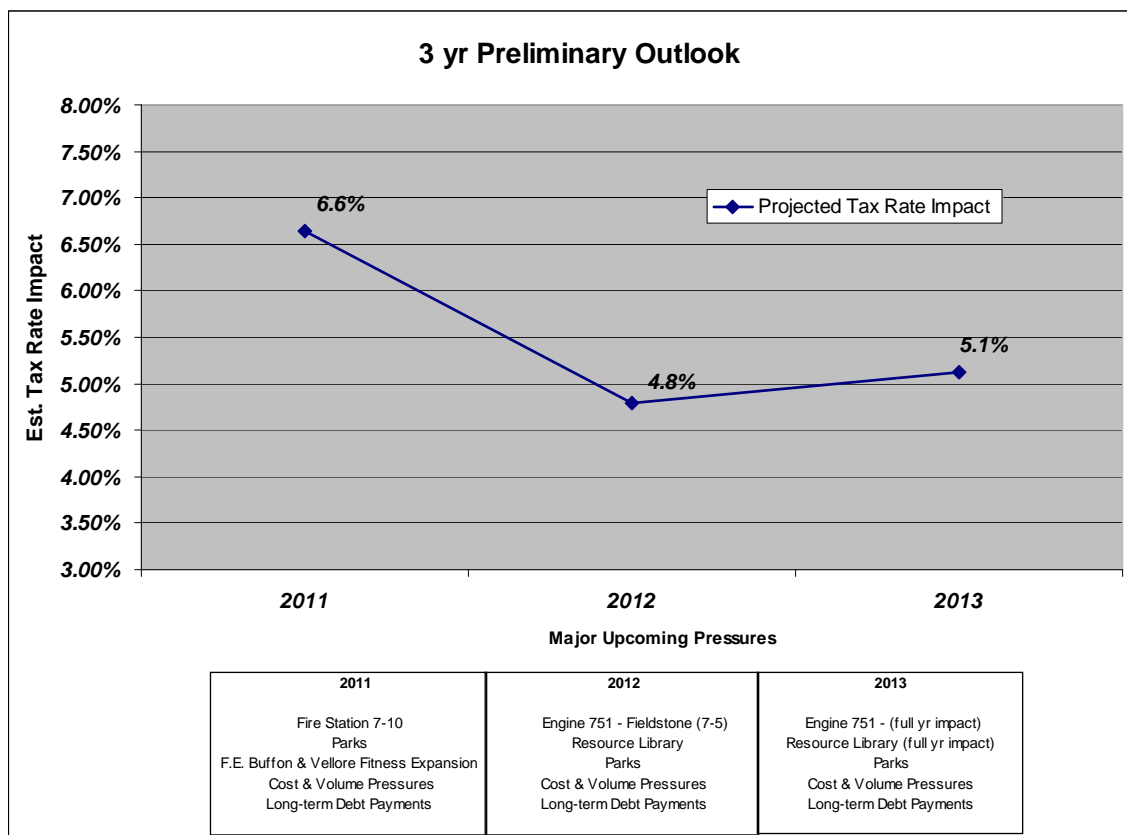
The process infuses a high degree of objectivity and transparency, of which the end result of this process is a significantly reduced recommended list of additional resource requests prioritized based on a blend of associated municipal risk exposure, service levels, and the Vaughan Vision initiatives.

After considerable deliberation and review a final recommendation, which reduced the actual requested amount to \$1.3m or a one third reduction, was presented and adopted by Council. As part of this process and recognizing the current economic environment, City endeavored to balance requests with limited funding opportunities. It is important to note that all funding requests addressed legitimate City concerns, but the current economic environment requires a focus on financial constraint and tightening the budget. As a result, some requests were deferred, without guarantee or special consideration, to next year’s process. Executing this type of financial constraint may initially reduce the City’s ability to consistently maintain service levels.

Future Outlook

As mentioned in the opening paragraph, the City of Vaughan continues to be subject to the many factors that put significant pressure on the property tax rate. The impacts of these pressures are often permanent and therefore require long-term funding solutions to ensure public services are sustainable in the future.

To illustrate these pressures, a preliminary basic 3 year outlook is provided below. 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 infrastructure funding strategy recommendations. It is also important to consider that deferring costs to the following year will only magnify the anticipated pressures; this is particularly the case for 2011, 2012 and 2013, which will see the addition of a fire hall, library, parkland, and fitness centre expansions. Currently under development is the City’s long-range financial plan, which once updated, will provide a more detailed forecast.



Relationship to Vaughan Vision 2020

The 2010 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 regulatory requirements. Very tight budget guidelines, approved by Council, were issued to all departments including freezing specific account lines and reducing others.

In addition, public engagement was a vital and ongoing element of the 2010 budget process and essential to validate the needs of the community and balance them within available resources. Throughout the budget process a number of public input opportunities were provided. Of the residents participating, the majority responded that Vaughan is focusing on the right improvements, taking the right approach, providing the right local services, and offering good value for their tax dollars.

The resulting outcome of the 2010 budget process is illustrated in the below diagram.

BUILDING THE BUDGET

	<i>Residential Tax Rate Change</i>	
	\$	%
Additional Resource Request (Including Library)	\$11.41	1.02%
City Base Budget under the Guidelines (Excluding Library)	\$17.03	1.51%
Vaughan Public Library Board (Net)	\$ 1.37	0.12%
City Operations Tax Rate Change	\$29.81	2.65%

Attachments

- Attachment 1 – Proposed 2010 Operating Budget Summary (Available in the Clerk’s Department)
- Attachment 2 – Recommended ARR’s included in the Proposed 2010 Operating Budget
- Attachment 3 – Comprehensive Budget Review Process

Report prepared by:

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SPECIAL COUNCIL MEETING MINUTES – JANUARY 18 2010

Ursula D'Angelo, CGA
Manager, Operating Budget & Activity Costing
Ext 8401

(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.)

7. BY-LAWS FIRST, SECOND AND THIRD READINGS

MOVED by Regional Councillor Ferri
seconded by Councillor Shefman

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

By-Law Number 1-2010 A By-law to amend By-law Number 396-2002, as amended, to provide for fees and charges by amending Schedules "A", "B", "C", "D", "E", "F", "G", "I", "J", "K", "L", and "M". (Council, November 24, 2009, Item 3, Budget Committee, Report No. 7)

By-Law Number 2-2010 A By-law to amend By-law No. 53-2002 as amended, to provide for fees and charges by amending Schedule "A". (Animal Control By-law) (Council, December 14, 2009, Item 3, Budget Committee, Report No. 9)

CARRIED

8. CONFIRMING BY-LAW

MOVED by Councillor Meffe
seconded by Councillor Carella

THAT By-law Number 3-2010, being a by-law to confirm the proceedings of Council at its meeting on January 18, 2010, be read a First, Second and Third time and enacted.

CARRIED

9. ADJOURNMENT

MOVED by Councillor Carella
seconded by Councillor Shefman

THAT the meeting adjourn at 8:30 p.m.

CARRIED

Linda D. Jackson, Mayor

Jeffrey A. Abrams, City Clerk