



**CITY OF VAUGHAN
SPECIAL COUNCIL MINUTES
APRIL 5, 2011**

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CITY OF VAUGHAN
SPECIAL COUNCIL MEETING

TUESDAY, APRIL 5, 2011

MINUTES

7:00 P.M.

Council convened in the Municipal Council Chambers in Vaughan, Ontario, at 7:10 p.m.

The following members were present:

Hon. Maurizio Bevilacqua, Mayor
Regional Councillor Gino Rosati (7:30 p.m.)
Regional Councillor Michael Di Biase
Regional Councillor Deb Schulte
Councillor Tony Carella
Councillor Rosanna DeFrancesca
Councillor Marilyn Iafrate
Councillor Alan Shefman
Councillor Sandra Yeung Racco

67. CONFIRMATION OF AGENDA

MOVED by Regional Councillor Di Biase
seconded by Councillor Iafrate

THAT the agenda be confirmed.

CARRIED

68. DISCLOSURE OF INTEREST

There was no disclosure of interest by any member.

69. COMMUNICATIONS

MOVED by Regional Councillor Schulte
seconded by Councillor Carella

THAT Communication C1 be received and referred to Item 1 on the agenda;

THAT Communication C2 be received and referred to Item 2 on the agenda; and

THAT Communication C3 be received and referred to Item 3 on the agenda.

CARRIED

70. USER FEE/SERVICE CHARGE BY-LAW 396-2002 REVIEW

MOVED by Councillor Shefman
seconded by Regional Councillor Di Biase

That the recommendation contained in the following report of the Commissioner of Finance/City Treasurer and the Director of Budgeting and Financial Planning, dated March 8, 2011, be approved; and

That Communication C1, from the Manager of Customer and Administrative Services, dated March 30, 2011, be received.

CARRIED

Recommendation of the Finance and Administration Committee Meeting of March 8, 2011

The Finance and Administration Committee, at its meeting of March 8, 2011 (Item 4, Report No. 6), recommended the following:

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance/City Treasurer and the Director of Budgeting and Financial Planning, dated March 8, 2011:

Recommendation

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

That the 2011 and 2012 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 services 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 and direct impact on the City's levy and/or service level funding. As part of the City's Draft 2011/2012 Operating Budget Guidelines, departments were 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 \$157,327 in 2011 and an additional \$53,086 in 2012. A general contingency has been included in the 2011/2012 Draft Operating Budget to account for anticipated user fee and service charge amendments and will be reallocated to accounts once fees have been adopted.

Communications Plan

Before the Draft 2011/2012 Operating Budget receives final approval, the community will be notified in advance of an opportunity for public input on user fee/service charge adjustments to be received, consistent with the City's public notification by-law.

Purpose

The purpose of this report is to provide Finance and Administration Committee with information on proposed changes to user fees and service charges to By-law 396-2002 for 2011/2012.

Background - Analysis and Options

Inherent in the Draft 2011/2012 Operating Budget guidelines and process is a continued emphasis on maximizing the cost recovered on services provided. In addition to adjusting revenues for anticipated

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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 adjustments associated with the increases noted above are not included in the 2011/2012 Draft Operating Department Budgets, with exception for Council pre-approved fee increases (i.e. Recreation and Licensing). Please note, fees covered by other by-laws (i.e. Planning Application Fee By-Law 170-2009, etc.) are not included and subject to a separate review and reporting process.

A general contingency is included in the 2011/2012 Draft Operating Budget to account for anticipated user fee and service charge amendments. Once approved, amounts will be transferred from the contingency budget to departmental revenue accounts.

User Fee/Service Charge Review Results

The 2011/2012 annual operating budget adjustments associated with department submitted user fee and service charge increases related to by-law 396-2002 are \$157,327 for 2011 and an additional \$53,086 for 2012.

For 2011, the most significant changes are as follows:

- An increase in Development & Transportation Engineering Department lot grading fees to better reflect staff time on the review and inspection of lot grading for new plans and subdivisions;
- New fees or charges proposed by the Finance Department for error correction by a third party;
- New fees or charges proposed by the Enforcement Services Department for pet adoption.

Detailed below is a summary of the proposed increases by Department.

Schedule	Department	2011			2012		
		Changes to Fees/Charges	New Fees/Charges	TOTAL	Changes to Fees/Charges	New Fees/Charges	TOTAL
A & B	Clerk's	\$2,332	\$0	\$2,332	\$4,588	\$0	\$4,588
C	Finance	\$17,086	\$9,500	\$26,586	\$4,293	\$0	\$4,293
D	Economic & Technology Development	\$0	\$0	\$0	\$0	\$0	\$0
E	Fire & Rescue Services	\$8,754	\$0	\$8,754	\$8,754	\$0	\$8,754
F	Building Standards	\$20,000	\$0	\$20,000	\$19,975	\$0	\$19,975
G	Planning	\$290	\$0	\$290	\$280	\$0	\$280
I	Legal	\$0	\$0	\$0	\$1,463	\$0	\$1,463
I	Enforcement Services	\$5,400	\$20,000	\$25,400	\$3,400	\$2,500	\$5,900
J	Parks	\$17,190	\$0	\$17,190	\$2,294	\$0	\$2,294
K	Engineering Services	\$1,159	\$0	\$1,159	\$2,414	\$0	\$2,414
K	Development Engineering	\$55,687	\$0	\$55,687	\$3,059	\$0	\$3,059
L	Public Works	-\$136	\$0	-\$136	\$1	\$0	\$1
M	Encroachments	\$65	\$0	\$65	\$65	\$0	\$65
	TOTAL	\$127,827	\$29,500	\$157,327	\$50,586	\$2,500	\$53,086

Enclosed in Attachment #1 are the department recommended amendments to the City's user fees and service charges for Finance and Administration 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

Barbara Cribbett, CMA
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Ext. 8475

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Director of Budgeting & Financial Planning
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(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.)

71. PROPOSED 2011/2012 OPERATING BUDGET

MOVED by Regional Councillor Rosati
seconded by Regional Councillor Schulte

That the deputation of Mr. Nick Pinto, West Woodbridge Homeowners Association Inc., 57 Mapes Avenue, Woodbridge, L4L 8R4, be received.

MOVED by Regional Councillor Di Biase
seconded by Councillor Shefman

That the following deputations be received:

1. Mr. Richard Lorello, 235 Treelawn Blvd., P.O. 927, Kleinburg, L0J 1C0; and
2. Mr. Guido Masotti, 144 Riverview Avenue, Woodbridge, L4L 2L6.

MOVED by Regional Councillor Schulte
seconded by Regional Councillor Di Biase

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That the deputation of Mr. Savino Quatela, 134 Grand Valley Blvd., Vaughan, L6A 3K6, be received.

MOVED by Councillor Carella
seconded by Councillor Iafrate

That the Commissioner of Legal and Administrative Services/City Solicitor, together with the Director of Human Resources and any other staff deemed appropriate by the City Manager, bring back a report on the growth of the number of employees on the so-called 'sunshine list' over the last six years, with due regard given to factors contributing to such growth, including but not limited to such things as the results of collective bargaining, contractual obligations, current compensation rates for similar positions across the GTA, etc.; and

That such report be provided no later than June 2011.

MOVED by Councillor Shefman
seconded by Councillor Carella

That the following motion be referred to the Finance and Administration Committee:

That the Commissioner of Legal and Administrative Services/City Solicitor, together with the Director of Human Resources and any other staff deemed appropriate by the City Manager, bring back a report on the growth of the number of employees on the so-called 'sunshine list' over the last six years, with due regard given to factors contributing to such growth, including but not limited to such things as the results of collective bargaining, contractual obligations, current compensation rates for similar positions across the GTA, etc.; and

That such report be provided no later than June 2011.

MOVED by Councillor Yeung Racco
seconded by Councillor Iafrate

That the recommendations contained in the following report of the City Manager, the Commissioner of Finance/City Treasurer, and the Director of Budgeting and Financial Planning, dated April 5, 2011, as amended, be approved;

That the following recommendation contained in Communication C2, from the Commissioner of Finance/City Treasurer, dated April 5, 2011, be approved:

1. That the total 2011 Operating Budget be \$216, 238, 728, representing an increase of \$23.15 annually to the average home assessed at \$472,368, or a 1.99% tax increase;
2. That the City Manager be authorized to implement Additional Resource Requests and finalize associated funding allocations to City departments in accordance with a 1.99% tax increase;
3. That the Hospital Levy be phased in at .91% each year over the next three years; and

That Communication C4, presentation material submitted by the Commissioner of Finance/City Treasurer, dated April 5, 2011, be received.

So that the recommendations now read:

- 1) THAT the recommendations contained in the following report of the City Manager, the Commissioner of Finance/City Treasurer, and the Director of Budgeting and Financial Planning, dated April 5, 2011, as amended, be approved;

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- 2) That the following recommendation contained in Communication C2, from the Commissioner of Finance/City Treasurer, dated April 5, 2011, be approved:
 1. That the total 2011 Operating Budget be \$216, 238, 728, representing an increase of \$23.15 annually to the average home assessed at \$472,368, or a 1.99% tax increase;
 2. That the City Manager be authorized to implement Additional Resource Requests and finalize associated funding allocations to City departments in accordance with a 1.99% tax increase;
 3. That the Hospital Levy be phased in at .91% each year over the next three years;
- 3) That the following motion be referred to the Finance and Administration Committee:

That the Commissioner of Legal and Administrative Services/City Solicitor, together with the Director of Human Resources and any other staff deemed appropriate by the City Manager, bring back a report on the growth of the number of employees on the so-called 'sunshine list' over the last six years, with due regard given to factors contributing to such growth, including but not limited to such things as the results of collective bargaining, contractual obligations, current compensation rates for similar positions across the GTA, etc.; and

That such report be provided no later than June 2011;
- 4) That Communication C4, presentation material submitted by the Commissioner of Finance/City Treasurer, dated April 5, 2011, be received; and
- 5) That the following deputations be received:
 1. Mr. Nick Pinto, West Woodbridge Homeowners Association Inc., 57 Mapes Avenue, Woodbridge, L4L 8R4;
 2. Mr. Richard Lorello, 235 Treelawn Blvd, P.O. 927, Kleinburg, L0J 1C0;
 3. Mr. Guido Masotti, 144 Riverview Avenue, Woodbridge, L4L 2L6; and
 4. Mr. Savino Quatela, 134 Grand Valley Boulevard, Vaughan, L6A 3K6.

CARRIED

Recommendation

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

- 1) That the presentation on the Proposed 2011/2012 Operating Budget be received; and,
- 2) That the deputations from the public be received; and
- 3) That the Proposed 2011 Operating Budget be approved and the Proposed 2012 Operating Budget be recognized, subject to any changes as a result of public input and any further adjustments from the Finance and Administration Committee meeting of April 1st, 2011; and,
- 4) That the tax rate adjustment associated with the Vaughan Hospital Land Financing Strategy approved on June 15th, 2009 be implemented, subject to any further adjustments from the Finance and Administration Committee meeting of April 1st, 2011.

Contribution to Sustainability

Sustainability by definition focuses on the ability to maintain a function over a period of time.

Responsible budgeting allocates resources in a responsible way to sustain the City's operations and aspirations, balancing both current and future requirements.

The approach to the operating budget seeks to minimize the current year requirements, while meeting the requirements of sustainability. Specific principles included in the Operating Budget Guidelines approved by Council are:

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

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

Communication Plan

Continuous Community Engagement & Input

Public consultation and input are important elements of the budget process and essential to validate the needs of the community and balance them within available resources. For this reason, all Finance and Administration Committee meetings are open to the public. Community comments and input regarding the budget are received throughout this process and considered by Members of Council during budget deliberations. In the interest of increasing the community's awareness, these meetings were extensively advertised on the City's website and using local media partners. Overall, nine Finance and Administration Committee meetings were held, including two evening meetings, which generated a substantial amount of community input that was incorporated into Council's decision making process.

In addition to the above, the City hosts other committees and consultation activities, which incorporate significant public engagement. Although separate processes, public feedback obtained at these events has also migrated into the budget process.

Final Opportunity for Community Input / Budget Approval Communication

In addition to the above section, a Special Council meeting is scheduled before budget approval to provide the public with a final opportunity to comment on the 2011/2012 Operating Budget. This meeting was advertised in advance and consistent with the City's public notification by-law.

Following 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 to key stakeholders.

Economic Impact

The attached Proposed 2011/2012 Operating Budget, Attachment 1, reflects the requirement for a taxation funding increases:

The Proposed 2011 Operating Budget illustrates an increase of \$3.71m, an approximate property tax increase of \$31.97 a year (\$2.66 per month) on the average home re-assessed at \$472,368 or a 2.75% tax increase. This is largely driven by the following items:

- Transportation Network Improvements - \$1.0m net increase for major road repairs
- Traffic Management - \$413k increase for roads maintenance and traffic management support
- Community Safety - \$327k increase for additional firefighters in the north east quadrant;
- Risk Management - \$509k increase for insurance premiums
- Increases for additional service improvements and general city pressures (\$1.46m net).

The Recognized 2012 Operating Budget illustrates an increase of \$7.79m, an approximate property tax increase of \$65.42 a year (\$5.45 per month) on the average home re-assessed at \$485,122 or a 5.49% tax increase. This is largely driven by the following items:

- Community Safety - \$2.5m increase for additional firefighters and communications operators;
- Transportation Network Improvements - \$1.75m net increase for major road & surface repairs
- Growth Management - \$580k increase for a zoning by-law review
- Infrastructure renewal - \$400k increase in reserve contributions as per policy
- Traffic Management - \$170k increase for additional traffic management support
- Increases for additional service improvements and general city pressures (\$2.4 net).

As illustrated above, a substantial portion of the 2011 and 2012 taxation funding increase is directly related to traffic and transportation improvements, community safety and other general City pressures to maintain levels of service.

Local Hospital Land Levy - The City has taken steps to bring a much needed hospital and other health care resources to Vaughan. The Government of Ontario requires local communities to support the development of a hospital through a local financial contribution. It should be noted the financial support and plan for the Vaughan Hospital was approved on June 15th, 2009. The approved 2011 & 2012 residential property tax increases associated with the separate Hospital Land Levy is approximately \$16 or 1.36% in each year for the average home. This increase is in addition to the tax rate increases illustrated above to support the City's operations.

Purpose

The purpose of the Special Council Meeting is to obtain public input and to provide the public with an overview of the Proposed 2011/2012 Operating Budget, including the major service improvements, enhancements and pressures the municipality is facing and corresponding tax adjustment on an average Vaughan household. It does not include any recommendations coming forward from the April 1st, 2011 Finance and Administration Committee.

Background – Analysis and Options

Executive Summary

Financial Sustainability a Key Priority

As a result of the City's long standing dedication to financial management through progressive best practices and prudent policies, the City is in a very strong financial position relative to other municipalities. The City has always considered increasing taxes as a last resort and through prudent policies, tight budget guidelines and strong leadership; the City has provided residents with value by providing high quality services to the community.

As the City moves forward, financial sustainability must continue as one of Vaughan's key priorities. Over the next decade, the City of Vaughan is expected to undergo a tremendous transformation fuelled by sustained high growth rates, provincially driven intensification, increasing legislative requirements and a number of vision based master plans reflecting important community needs. As the City becomes increasingly more sophisticated it will also face increasing financial pressures beyond the many factors currently placing significant strain on the property tax rate to maintain existing service levels (e.g. inflation, growth, collective agreements, contract escalation costs, fluctuating revenues, etc.). These pressures are permanent and often require continuous funding solutions, often taxation.

Planning for the Future

Vaughan has always taken the management and stewardship of public funds very seriously and continues to demonstrate financial leadership and discipline ensuring residents receive value for their tax dollars. This year's Budget guidelines continue to build on those core values and successful

business practices. Recognizing the challenges that lay ahead, and building on the financial planning efforts to date, the budget guidelines now incorporate a future focus to provide citizens with more certainty about the direction of City services, finances, and tax levels. The Operating Budget Guidelines were adopted by the Budget Committee on June 14th, 2010 and consist of the following principles and actions:

Managing Our Future

1. Looking to the future by creating multi-year budgets
2. Reinforce strategic priorities through the business planning and process

This strategic action provides decision makers with future foresight and the ability to proactively identify future opportunities, address future challenges, and improve decision making by understanding the longer-term financial implications of decisions.

Managing Tax Increases

3. Controlling budget pressures
4. User fee reviews to reduce the tax burden
5. Strict process to evaluate funding requests
6. Zero impact adjustments
7. Exploring opportunities & continuous improvement

The objective of these actions is to provide the lowest possible tax increase while maintaining the City's service levels. Under these actions, departments are only permitted very specific increases. There is no "across the board" inflationary increase.

Fostering Continuous Collaboration

8. Continuous public participation
9. Thorough multi-layered review process

Collaboration and engagement is essential to validate the needs of the community and balance them within available resources

Budget Approach

The City's approach to the annual Operating Budget is to first develop the Base Budget through the issuance of very strict budget guidelines. Under the guidelines, departments are only permitted to include very specific adjustments in their Base Budget, which are typically related to predetermined agreements, contracts or Council approvals/reductions. There are no "across the board" increases for inflation and no increases for new staffing.

To the extent that a department requires additional resources, a separate business case must be submitted for consideration. These are referred to as Additional Resource Requests (ARR) and are individually vetted through the Directors Working Group, Senior Management Team, the Finance and Administration Committee and finally Council.

The objective of separating the process into the base budget and additional resource requests is to identify the minimum resources based on agreements etc. that are required to maintain the City's service levels and fund municipal requirements, and review all other requests on an individual basis. Base Budget and Additional Resource Request Highlights are provided below:

Base Budget

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

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Major 2011/2012 Base Budget Adjustments	2011		2012	
	\$	Rate incr.	\$	Rate incr.
Major Improvements & Servicing Increases				
Roads Program - debenture repayments	1,000,000	0.74%	1,500,000	1.06%
Insurance Premiums	509,000	0.38%	200,000	0.14%
Station 7-10 annualized impact	375,000	0.28%	623,000	0.44%
Infrastructure Contribution			400,000	0.28%
Subtotal	1,884,000	1.40%	2,723,000	1.92%
Unanticipated Revenue Reductions				
Planning Reserve	500,000	0.37%		
Assessment Growth - \$ decline	388,000	0.29%	390,000	0.27%
Investment Income Realignment			500,000	0.35%
Subtotal	888,000	0.66%	890,000	0.63%
Total Major 2011/2102 Base Budget Adjustments	2,772,000	2.06%	3,613,000	2.54%
Base Budget Change	1,455,270	1.08%	3,676,997	2.59%
Base Budget Change Excluding Major Adjustments	(1,316,730)	-0.98%	63,997	0.05%

The chart above further illustrates the City’s dedication to financial constraint and providing value for the residents hard earned tax dollar.

Additional Resource Requests (ARR’s)

As previously noted, Additional Resource Requests are submitted on an individual basis and are assessed on their respective merits. Initially, there were over 90 requests totalling a combined \$10.7m for 2011 and 2012, which by themselves represented 4.9% and a 3.2% tax increase respectively. It is important to note, all funding requests submitted have merit, however they must be prioritized and ranked.

Recognizing the challenges, a significant amount of time was spent reviewing and optimizing the requests, which resulted in a number of requests being partially funded internally and some deferred to future budget years for consideration, without guarantee or special status. Although it is understood that 2012 will reveal many opportunities and issues to be discussed, it is vitally important to begin planning resources beyond a single year to improve financial visibility and to proactively grasp and address future opportunities and challenges. The result is a recommendation to support \$2.25m in 2011 and to advise there are requests totalling \$3.9m in 2012, which translates into a \$19 and a \$35 increase per year, respectively to the average residential property in Vaughan, equivalent to a 1.67% and 2.90% tax increase, respectively. A high-level summary of these additional resource requests is provided as Attachment 2 – 2011 & 2012 Additional Resource Requests included in the Proposed Operating Budget.

Combined Base Budget and Additional Resource Requests

The combined impact of the base budget and the additional resource requests on the average home for 2011 and 2012 is as follows:

	<u>2011</u>	<u>2012</u>
Avg. residential assessment value	\$ 472,368	\$ 485,122
Avg. annual residential City tax incr.	\$ 31.9	\$ 65.4
Avg residential City tax incr.	2.75%	5.49%

Recent Budget Adjustments – HST

Harmonized Sales Tax – In December 2009, the Province approved the new Harmonized Sales Tax (HST) structure which came into effect on July 1st, 2010. Overall, the impact associated with HST is mostly offsetting and relatively minor, but requires the realignment of a number of account budgets to reflect the new rules. As indicated in an earlier report, HST reallocations were deferred to a later date to avoid confusion during budget deliberations. This is intended to help decision makers clearly see the true department budget changes, without the complexity of multiple account budget reallocations across multiple departments. The overall adjustment associated with 2011 and 2012 is an approximately \$12k and \$22k, respectively and is incorporated in to the proposed budget. A summary of the department adjustments is provided as Attachment 3 – HST Adjustments.

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 Proposed 2011/2012 Operating Budget.

	2010	(Projected)	
	2010	2011	2012
Average residential assessment	\$ 459,367	\$ 472,368	\$ 485,122
Total taxes levied on the average assessed home ***	4,419	4,451	4,516
City of Vaughan portion (26-27%)	1,160	1,192	1,257
City of Vaughan tax adjustment % on total taxes		0.7%	1.5%
Hospital Land Levy on the avg. home	22	38	54
Reduction for qualifying seniors	298	308	323
A 1% increase in the tax rate generates	\$1.26m	\$1.35m	\$1.42m
Impact of a 1% increase on the average home	\$ 11.45	\$ 11.60	\$ 11.92
Assessment growth (projected)	3.73%	3.17%	2.75%
Tax Rate Increase		2.75%	5.49%

***Increase based only on Vaughan increase

Proposed 2011/2012 Operating Budget Review

The City of Vaughan continues to be subject to many factors that place significant pressures on the property tax rate. Inherent in the annual operating budget process are the normal pressures of inflation, growth, staffing resources, external contract costs, collective agreements, fluctuating revenues etc., which are further compounded by expanding service requirements and tax funded infrastructure renewal cost impacts experienced by a high growth municipality. This situation presents significant challenges to achieving a balanced budget and maintaining service levels while minimizing associated tax rate increases and achieving Council's priorities. To assist the public and Council Members with understanding the challenges facing the City and to assess the Proposed 2011/2012 Operating Budget, the remainder of the report is dedicated to reviewing the following components of the budget:

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

A) 2011 and 2012 Base Budget under the Guidelines

Based on the budget guidelines, the City's Proposed 2011 Operating Budget is approximately \$214m reflecting a \$1.46m funding increase over 2010, equivalent to a 1.08% tax increase.

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The City's Recognized 2012 Operating Budget is approximately \$223m reflecting a \$3.67m funding increase over 2011, equivalent to a 2.59% tax rate increase.

The above operating budgets include an anticipated \$2.5m surplus carried forward and a \$2.8m subsidization from the Tax Rate Stabilization Reserve. This is consistent with prior year Council direction. These figures exclude the implications associated with the recommended additional resource requests. These are discussed later in the report.

For the 2011/2012 budget process, all account budgets remained at prior year budget levels with the exception of established commitments and pre-defined external pressures as defined by the approved budget guidelines. In order to check adherence to the guidelines, budget submissions were verified to ensure there were no other increases or that any budgetary increases, outside the guidelines, were offset by corresponding decreases in other line items. Through budget submission reviews and assurances from Commissioners and Directors, there is a very high level of confidence that approved guidelines were followed.

The Budget Guidelines were designed to restrict expenditure increases and this process has been successful as demonstrated by a total increase in department expenditures of only 3.6% in 2011 and 3.8% in 2012. This equates to a \$6.5m year over year increase in departmental expenses for 2011 and a \$7.1m year over year increase in departmental expenses for 2012. Approximately 70-80% of the department increase is attributable to changes to support the City's workforce and comply with collective and management agreements. The remaining portion is related to external service contracts, including increases in snow removal, waste management, utilities, and insurance premiums. These services are generally contracted, competitively tendered and awarded to the lowest bidder.

The above adjustments include base budget reductions directed by management, equating to \$815k. These are:

<u>Budget Saving Initiatives</u>	<u>Savings</u>
• Utilizing in-house staff for professional engagements	\$140k
• Improved energy conservation efforts	\$300k
• Efficiencies in ITM communication contracts	\$75k
• Utilizing contingent funds to phase in the partial impact of fire retention	\$300k

B) Base Budget Revenue Review

As illustrated in the Base Budget Change Summary, 2011 revenues increased \$1.8m or 2.5% from 2010 levels and 2012 revenues increased \$1.7m or 2.2% from 2011 levels. These figures exclude any impact associated with assessment growth and base taxation adjustments. The primary factors contributing to the increases are as follows:

Supplemental Taxation

2011 increased \$700k, returning to pre-economic downturn levels. It is anticipated that supplemental taxes will plateau over the next few years due to the slow economic recovery and regional housing capacity allocation restrictions.

Funding from Reserves:

2011 increase of \$1.3m:

- The largest component of the increase is related to an increase in funding from the debenture reserve. This is due to change in reporting methodology, from a net basis to more specific account allocations. The debenture payment expense also increased and when consolidated, the net figure is \$9.5m, a \$1m increase over 2010 levels.

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- Adjustments occurred in the Fleet and Parks reserves as a result of activity, departmental cost changes, and anticipated growth trends.
- A \$507k increase in the insurance reserve withdrawal to offset premium allocations.
- The finance from capital budget increased by \$240k to better reflect the historical trend in City's actual position.
- An in-house study was conducted in 2009 on the cost sharing of administration activities between the City and Water/Waste Water services. As a result, the increases in cost recovery are being phased in conservatively over time.
- There is also a \$450k increase in the Building Standards reserve, which is actually neutralized by a reduction in Building Standards revenue and increase in associated expenses.
- The above increases were offset by the following:
 - Decrease in funding from the elections reserve of \$985k, which is fully offset by a reduction in election expenses, resulting in a net zero impact.
 - Removal of the Planning reserve withdrawal, \$500k, as this funding is not anticipated to occur for the intended purpose of subsidizing Planning revenues to 100% full cost recovery.
 - Completion of the 2009 winter control contract increase three year phase-in. In 2011 the reserve withdrawal is reduced from \$350k to \$0.
 - Engineering reserve withdrawal adjustment based on a revised costing of the 3.5% subdivision fee activity.

2012 increase of \$1.7m:

- \$850k in adjustments occurred in the Engineering, Fleet, Building Standards, and CIL Recreation Land reserves and recoveries from Water/Waste Water services as a result of activity, departmental cost changes, and anticipated growth trends.
- \$521 increase in funding from the debenture reserve.
- A \$200k increase in the insurance reserve withdrawal to offset premium allocations.
- The finance from capital budget increased by \$150k to reflect the increase in capital projects and the historical trend in City's actual position.

User Fees / Service Charges

2011 increase of \$770k:

- Fire & Rescue Services revenue increased \$136k due to projected increases in call out volume and retail service in the mechanical division.
- Clerk's revenue increased approximately \$117k, largely due to projected volume increases in licensing and committee of adjustment applications.
- Enforcement Services revenue increased approximately \$172k due to the planned implementation of in-house animal control services and associated new revenue expected from inter-municipal service agreements with King Township.
- Recreation revenues increased by \$461k largely due to the climbing demand for services in the new North Thornhill Community Centre and Vellore aquatics programmes. This increase is largely offset by similar expenditure value increases.
- Cultural Services revenues increased by \$85k due to the transfer of events activities and associated sponsorship revenue from Corporate Communications. This increase is met by a corresponding decrease in Corporate Communications.

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- Public Works revenue increased by \$368k due to an increase in the regional WDO recycling grant based on the tonnage of waste diverted.
- The above increases were offset by the following:
 - Building Standards revenues decreased \$265k reflecting an anticipated drop in volumes due to regional level capacity issues and slow economic recovery. The reduction in revenue is neutralized by a corresponding increase in reserve funding.
 - Economic & Business Development revenue decreased \$265k as a result of actions stemming from the recently approved Economic Development Strategy, the conversion of VBEC to an independent entity and the elimination of the Tourism Strategy and associated sponsorship revenue.

2012 increase of \$447k:

- Clerk's revenue increased approximately \$102k, largely due to volume increase in licensing applications.
- Recreation revenues increased by \$657k largely due to continuing climbing demand for services in North Thornhill and the opening of a new fitness centre in the Vellore Community Center. This increase is largely offset by similar expenditure value increases.
- The above increases were offset by a \$366k decrease in Building Standards revenues reflecting a continued drop in volumes due to regional level capacity issues and slow economic recovery. The reduction in revenue is neutralized by a corresponding increase in reserve funding.

Corporate Revenues

2011 decrease of \$959k:

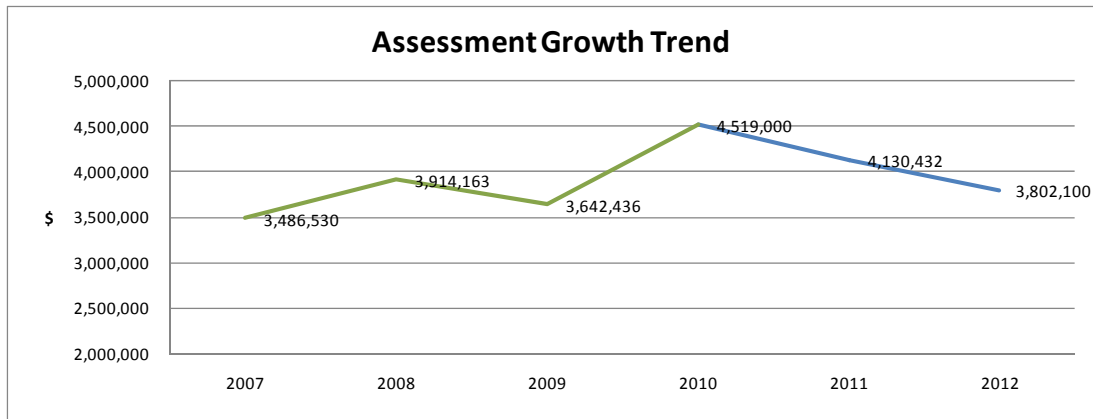
- The main cause for this decrease is due to the shift of Provincial Offences Act (POA) revenue to York Region, approximately \$890k. The POA revenue shift is intended to have an overall neutral impact on the City, as the Region will offset the municipal revenue it will now receive by reducing the regional tax levy by an equivalent amount in 2011.
- The remaining balance is related to a \$100k reduction in fines and penalties to better reflect the historical trend in City's actual position.

2012 decrease of \$494k:

- The reduction is the result of a change in investment income allocation methodology between the operating budget and the various reserve accounts. Beginning in 2012 a phased in approach will begin to allocate a more representative portion of the generated investment income to capital reserves.

Assessment Growth

For 2011 and 2012 assessment growth is estimated at 3.17% and 2.75%, respectively, which translates into roughly 3,400-3,800 new homes contributing an additional \$4.13m and \$3.83m in new property taxes.



This is somewhat lower than the 2010 3.7% growth figure and the 2012 projection is very reflective of the levels experienced in 2008/2009. 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 growth additions planned for the City:

Growth Item	2011	2012
Road Km	19	18
Sidewalk Km	9.5	9.6
Waste/recycling stops	3300	3300
Streetlights	480	489
Parkland Ha	9	30
Trail Ha	2	3
New City Hall	1	
Fire Engines	1	1

All the above additions require funds to operate and maintain service levels. Included in the Proposed 2011/2012 Operating Budget are the following estimates of major staffing, contract, utility, maintenance, and associated renewal costs supporting growth.

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<i>Growth Impacts</i>	<u>2011 \$ Change</u>	<u>2012 \$ Change</u>
<u>Maj. Expenditure Volume Increases</u>		
ARR carry forward	80,000	-
Fire Station 7-10	375,000	623,000
Contracts	860,000	583,000
Utilities	101,000	211,000
Recreation	385,000	180,000
LTD- roads program	1,000,000	1,500,000
New facility future replacement cont	-	400,000
	2,801,000	3,497,000
<u>Maj. Revenue Volume Increases</u>		
Recreation	(90,000)	(285,000)
Other dept. net increases	(309,167)	210,299
	(399,167)	(74,701)
<i>Net Base Budget Growth Impact</i>	2,401,833	3,422,299
<i>Plus growth related ARRs</i>	1,777,000	3,115,000
<i>Less: Assessment Growth</i>	(4,130,432)	(3,802,100)
Assessment Shortfall	48,401	2,735,199

As illustrated above, these are some of the budget items associated with growth, which exceed the amount of additional taxation received through new assessment. This illustrated gap is very conservative, as it excludes the costs associated with new infrastructure co-funding, other infrastructure renewal, and associated overhead costs.

User Fees and Cost Recovery

It is important to recognize there is an ongoing balance between funding through a fee for specific user based services versus funding City services through the general tax rate. To the extent there is a user fee, that fee should be adjusted annually to reflect changes in the cost of delivering the service. Otherwise, by default, there would be a requirement to fund cost increases through the property tax rate.

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 is proposing to reduce the 2011/2012 Operating Budget by approximately \$313k in 2011 and \$143k in 2012, which is provided for in contingency until the proposed user fee / service charge increases are approved by Council. Separate reports on these topics will be 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 resulted from legislative requirements and others were staff-initiated in-depth studies, resulting in the

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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:

Department Budgeted Recovery (Figures in Thousands)	Recreation	Licensing	Enforcement Services	Planning	COA	Building Standards (OBC)	Building Standards (Non-OBC)
2011 Dept Budget Recovery							
Revenues	\$ 17,382	\$ 963	* \$ 1,997	\$ 2,432	\$ 402	** \$ 8,156	\$ 392
Expenditures	\$ 18,652	\$ 600	\$ 4,534	\$ 2,764	\$ 540	\$ 5,592	\$ 656
Subsidy/(Surplus)	\$ 1,269	\$ (364)	\$ 2,538	\$ 332	\$ 138	\$ (2,564)	\$ 264
Dept Budget Recovery Ratio	93%	161%	44%	88%	74%	146%	60%
2012 Dept Budget Recovery							
Revenues	\$ 18,039	\$ 1,082	* \$ 1,997	\$ 2,485	\$ 402	** \$ 8,389	\$ 392
Expenditures	\$ 19,078	\$ 625	\$ 4,729	\$ 2,888	\$ 557	\$ 5,814	\$ 682
Subsidy/(Surplus)	\$ 1,039	\$ (457)	\$ 2,732	\$ 403	\$ 154	\$ (2,575)	\$ 290
Dept Budget Recovery Ratio	95%	173%	42%	86%	72%	144%	57%
2010 Budget recovery Ratio	94%	159%	43%	95%	70%	161%	53%
Full Cost Estimate (ABC Model)							
2011 Full Cost Recovery Ratio							
Subsidy/(Surplus)	44% *** \$ 22,184	67% \$ 482	48% \$ 2,158	49% \$ 2,512	42% \$ 551	100% \$ 2	31% \$ 873
2012 Full Cost Recovery Ratio							
Subsidy/(Surplus)	44% *** \$ 22,621	72% \$ 424	46% \$ 2,325	48% \$ 2,688	41% \$ 591	100% \$ 19	31% \$ 879
2010 Budget Full Cost Recovery Ratio	44%	73%	42%	45%	41%	100%	28%
Policy Recovery Goal	95% Dept. Cost	100% Full Cost		100% Full Cost	100% Full Cost	100% Full Cost	

* Enforcement revenues no longer includes POA revenues. 2010 ratio adjusted for comparison purposes.

** Building Standards revenues include a \$650,000 draw from Building Standards Continuity Reserve in 2011 and \$1,250,000 in 2012.

*** Recreation Building & Facility costs approximately \$15.3M in 2011 and \$15.8M in 2012.

As illustrated above, most areas are recovering more than 70% of their department budgets.

- Building Standards continues to maintain a 100% building code full cost recovery target in 2011 and 2012 with a draw from the Building Standards Service Continuity Reserve in anticipation of lower volumes created by regional level capacity issues and slow economic recovery.
- Licensing also continues to achieve their target of recovering business licensing full costs in 2011 & 2012. It should be noted, the department full cost recovery illustrated is lower than 100% due to a portion of the department being devoted to risk management and some licensing fee restrictions are applied to lottery, livestock, and other licenses.
- Recreation is planning to recover 93% of their departmental costs, slightly lower than last year due to the impacts of HST on product demand. 2012 illustrates a 95% recovery, which is in line with their policy target.
- Enforcement Services recovery has dropped from 64% to a low 40% figure, largely due to the shifting of Provincial Offenses Act (POA) revenue to the Region, as discussed in an earlier section of this report. However, adjusted comparisons illustrate the revised recovery ratios are relatively stable for 2011 and 2012. The recovery ratio is anticipated to improve over time with the implementation of the Administration Monetary Penalties initiative which is intended to streamline the process and improve City collection efforts. It should be noted, that a recovery policy is not in place for enforcement services, as this service is driven by compliance.
- Planning and COA revenues are falling significantly short of achieving the goal of full cost recovery, and falling slightly under department cost recovery at almost 90% for Planning and mid 70% for COA. Fee increases are planned for 2011 and 2012, but they are intended to maintain or slightly improve recovery levels. The recovery shortfall is largely a result of

declining application volumes caused by the slow economic recovery and housing capacity allocation restrictions. *Moving forward, a discussion on the actions and timing to achieve the target or target reassessment is necessary.*

As demonstrated above, most areas are recovering a large portion 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.

C) Base Budget Expenditure Review

As illustrated in the Revenue and Expense Summary in Section 1 of the Attachment, total expenditures increased \$8.8m in 2011 and \$8.9m in 2012. The primary factors contributing to the increase in City expenditures are as follows:

Departmental Expenditures

2011 increase of \$6.53m, including the \$672k Library Board increase:

This represents an increase of 3.6% over the 2010 departmental budget, and largely due to the following items:

- Of the total departmental budget increase, approximately 80% or \$5.3m is related to changes to support the City's workforce. In addition to cost of living increases, approximately \$3.3m, the following increases occurred:
 - \$375k increase for the full-year impact of station 7-10 firefighters.
 - \$350k increase to top up the funding required for the implementation of 3/6/9 fire retention. This increase is being phased in over time with a declining offsetting balance spread over 2 years.
 - \$650k increase for staffing to perform in-house animal control. This cost is offset by a similar reduction in related contract costs.
 - The remaining balance is related to progressions, job-evaluations part-time surveys, market adjustments etc. Approximately \$100k is related to increases in the Library due to a 2010 management market survey.
- The second largest component of the department expenditure budget increase is related to pressures from contract services (\$774k) and utilities (\$161k). These increases are typically the result of increasing demands on services due to growth and industry price obligations. Overall, contract service lines increased by 1.4% and are mainly related to waste management, winter control, ITM services, parks maintenance, etc. This figure is understated when compared to historical trends due to a \$700 reallocation of funds between contracts and labour accounts to perform in-house animal control services. Utilities increased 2.1%, which is much less than anticipated due to a \$360k savings in the natural gas budget resulting from energy conservation efforts.
- Insurance expense premiums and planned deductibles increased by \$507k or 19% as a result of recent negotiations and are related to an increase in facilities and shared use facilities. In line with the above, allocations to departments increased \$367k; the remaining balance is associated with corporate requirements. The above is offset by a reserve transfer netting the overall City budget adjustment to \$507k.
- The remaining balance is related to reductions in the base budget by management. These are mainly:

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<u>Budget Saving</u>	<u>Saving</u>
· Utilizing in-house staff for professional engagements	\$140k
· Utilizing contingent funds to phase in the partial impact of fire retention	\$300k
· Economic Development	\$100k
	<hr/>
	\$540k
<i>Excludes the following budget savings captured in previous labour/contract sections</i>	
· Improved energy conservation efforts	\$300k
· Efficiencies in ITM communication contracts	\$75k

2012 increase of \$7.16m, including the \$493k Library Board increase:

This represents an increase of 3.8% over the 2011 departmental budget, and largely due to the following items:

- Of the total departmental budget increase, approximately 72% or \$5.1m is related to changes to support the City's workforce. The majority of the increase is related to regular cost of living increases. This increase is elevated over 2011 figures as the effective rate increases from 2.65% to 4.02%. In addition, benefit rates increased from 25.5% to 26% due to pressures on OMERS contributions and increasing EI and CPP thresholds. Also contributing to this balance is approximately \$623k related to the annualization of station 7-10's second cohort of firefighters. A small portion is also related to staff experience progressions.
- The second largest component of the department expenditure budget increase is related to pressures from contract services (\$1m) and utilities (\$470k). These increases are typically the result of increasing demands on services due to growth and industry price obligations. Overall contract service lines increased 3.2% and are mainly related to waste management, winter control, ITM services, parks maintenance, etc. Utilities increased 6%, due to associated price and volume increases. These figures are higher than the previous year increases as they are not masked by the reallocation of animal control service contract funds or reductions in natural gas due to conservation efforts, which occurred in 2011.
- Insurance expense premiums and planned deductibles increased by \$200k or 6.3% as a result of recent negotiations and are related to an increase in facilities and premium adjustments. In line with the above, allocations to departments increased \$145k; the remaining balance is associated with corporate requirements. The above is offset by a reserve transfer netting the overall City budget adjustment to \$200k.

Corporate Expenditures

Corporate expenditures contributed to the remaining City expenditure increase, 2011 \$2.28m and 2012 \$1.80m. This represents an increase of 9.0% and 6.6% for 2011 and 2012, respectively. Explanations for the budget increase are as follows:

2011 increase of \$2.28m:

- Corporate and election expenses decreased by \$1.3m, mainly as a result of the \$985k budget removal for funds to administer the 2010 municipal election. This cost is fully funded by a transfer from the election reserve and therefore results in a net neutral budget impact. A \$500k increase is also experienced in corporate labour savings to phase in increases over 2 years to better reflect the historical turnover rate. The above reductions in corporate expenses are partially offset by increases in corporate insurance and a \$100k increase in the election reserve contribution to meet future election expenses, as approved by Council. Increases were also experienced in other minor accounts i.e. bank charges, etc.

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- The repayment of long term debt increased by \$3.1m for debt previously issued primarily to fund major road projects. In part, a significant portion of the increase is due to a change in reporting methodology from a net basis to more specific account allocations. The debenture reserve also increased, and when combined, the net figure is \$9.5m, \$1.0m higher than 2010 levels.
- A \$475k expenditure increase is also experienced in the City's contingency account and relates to future negotiations and certain foreseeable events i.e. fee increases, corp. reorganizations, etc. Once the outcomes of these events are determined, balances will be reallocated to the appropriate department budgets.

2012 increase of \$1.80m:

- Corporate and election expenses decreased by \$1m, mainly as a result of the \$1m budget removal for City Hall funding, which reverts to LTD to fund related City Hall debenture payments issued in the fall of 2011. Corporate labour savings increased another \$500k, the final year phase-in, to better reflect the historical turnover rate. The above reductions in corporate expenses were partially offset by a \$400k increase in infrastructure contributions, as per policy, related to North Thornhill, Station 7-10, and fitness centre expansions. Minor increases were also experienced in other accounts i.e. tax adjustments, bank charges, joint services etc.
- The repayment of long term debt increased by \$2.0m for debt intended to be issued in 2011 primarily to fund major road projects. The debenture reserve also increased and when combined, the net figure is \$11m, \$1.5m higher than 2011 levels.
- A \$782k expenditure increase is also experienced in the City's contingency account and relates to anticipated negotiations and certain foreseeable events i.e. fee increases, corp. reorganizations, etc. Once the outcomes of these events are determined, balances will be reallocated to the appropriate department budgets.

Expenditure Review – Degree of Flexibility

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

	2011			2012		
	Base Budget (\$)	% of Total Budget	Cumulative (%)	Base Budget (\$)	% of Total Budget	Cumulative (%)
Operating Expenditures						
Salaries and Benefits	119,829,743	55.9%	55.92%	124,417,158	55.7%	55.73%
Service Contracts	31,135,217	14.5%	70.46%	32,128,024	14.4%	70.12%
Long Term Debt	11,646,528	5.4%	75.89%	13,476,518	6.0%	76.16%
Reserve Contributions	10,766,379	5.0%	80.92%	10,657,816	4.8%	80.94%
Maintenance/Materials	8,448,652	3.9%	84.86%	8,518,636	3.8%	84.75%
Utilities & Fuel	7,966,337	3.7%	88.58%	8,436,977	3.8%	88.53%
Capital from Taxation	6,629,522	3.1%	91.67%	6,629,522	3.0%	91.50%
Insurance Expenses	3,147,000	1.5%	93.14%	3,347,000	1.5%	93.00%
Professional Fees (Incl. OMB)	2,275,982	1.1%	94.20%	2,276,985	1.0%	94.02%
Contingency	1,559,066	0.7%	94.93%	2,363,575	1.1%	95.08%
Sundry	1,400,000	0.7%	95.58%	1,450,000	0.6%	95.73%
All Other	9,465,875	4.4%	100.00%	9,537,829	4.3%	100.00%
Total Base Budget Expenditures	214,270,301	100.0%	---	223,240,040	100.0%	---

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

Considering Factors Other Than CPI When Assessing the Budget

When assessing the Proposed 2011/2012 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.
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 (MPI) 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	Inflation Figure	Source	Weighted Average
Salaries and Benefits	54.0%	3.0%	Ministry of Labour - April 2010	1.6%
Contracts and Materials	19.0%	6.5%	Average Historical Increase (budget)	1.2%
Utilities and Fuel	3.0%	6.7%	Stat's Can. Nov. 2010 - Energy CPI	0.2%
Capital Funding	8.0%	1.2%	Construction Price Index - Sept.	0.1%
All Other	16.0%	1.4%	Core Inflation - Nov. 2010	0.2%
	100.0%			3.4%

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 3.17% growth component to the municipal index would increase the percentage guide to 6.5%. Total City expenditure increases are beating the MPI adjusted percentage guide; clearly illustrating Vaughan is managing its finances within industry ranges and providing the tax payer with value.

Note: Vaughan’s Municipal Price Index (MPI) has increased over the 2010 index, 2.21%, due to increases in the salary & benefit, utilities and fuel, and construction cost sectors. This is a positive indication the economy is returning to historical activity levels.

D) Consideration of Additional Resource Requests

As indicated earlier in this report, the budget guidelines were complimented by a process that allowed departments to formally submit requests for essential resources not permitted by the budget guidelines for the Finance and Administration Committee and Council consideration. As a result, departments submitted over 90 additional resource requests with a total cost of over \$10.7m spread over 2011 and 2012. This figure includes the Library Board’s additional resource requests totalling

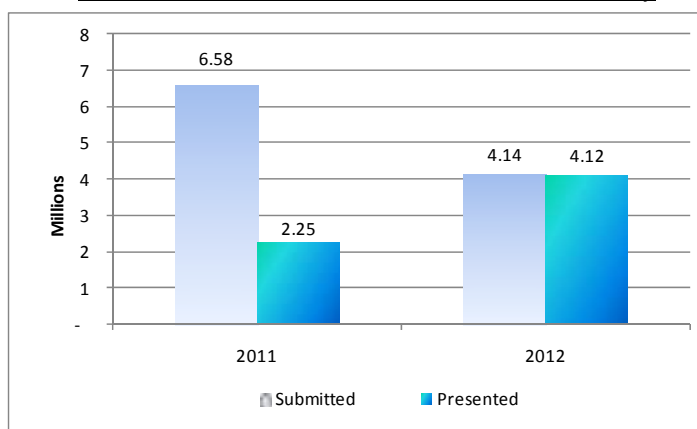
\$911k. Determining which resource requests move forward is a constant and very challenging task, as all requests directly or indirectly support the service needs and wants of the community.

Demonstrating respect for the tax payer's dollar and recognizing the challenge of balancing requests for additional resources with limited funding, early in the budget process SMT initiated a process, which included developing a Director's working group, to objectively prioritize and review additional resource requests. All additional resource requests were evaluated based on their merits and balancing them based on a blend of the following criteria:

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

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

ARR Submission vs. Recommendation Summary



The City's primary responsibility is the delivery of services to the residents and businesses of Vaughan. With this concept in mind, the resource requests presented either support existing service levels or service related initiatives endorsed by Council. Included in the presented additional resource request list are internal funding offsets amounting to \$990k for 2011 and \$518k for 2012, demonstrating staff's ability to redirect existing resources. It also includes \$1.3m in 2011 and \$3.0m in 2012 to support Vaughan's Vision and associated master plans, initiatives and strategies. This provides another example of the City managing its finances in a prudent manner. These requests are provided as Attachment #2 – 2011 & 2012 Additional Resource Requests included in the Proposed Operating Budget. Any further adjustments by the Finance & Administration Committee stemming from the April 1st meeting will be forwarded for consideration to the April 5, 2011 Special Council Meeting.

E) Future Outlook

As mentioned in the opening paragraph, the City of Vaughan continues to be subjected to the many factors that put significant pressures 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.

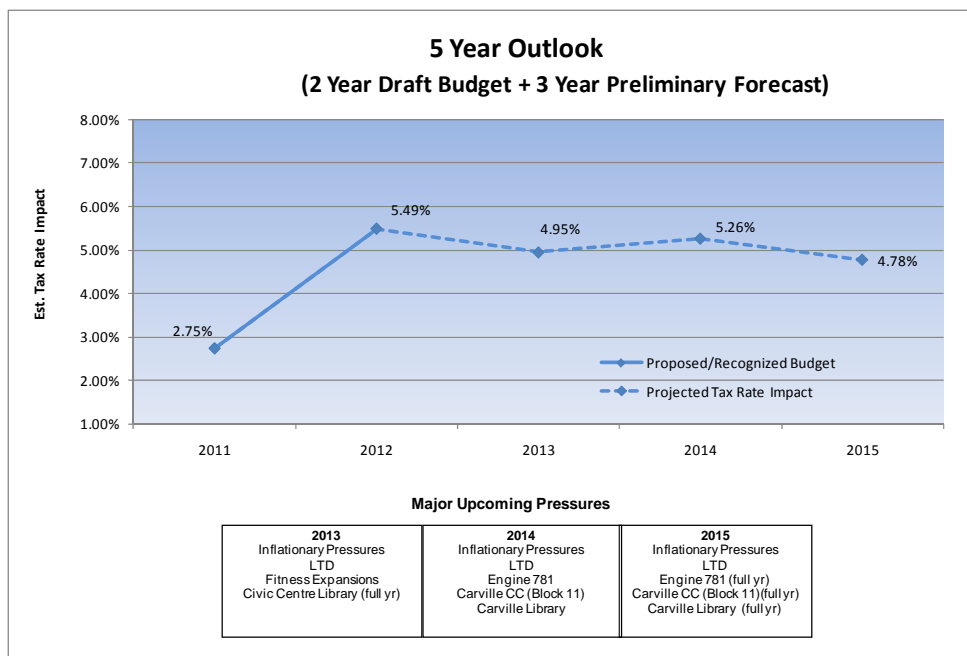
To illustrate these pressures, a 5 year outlook is provided below, built on the 2011/2012 budget plus a three year preliminary outlook based on general assumptions and trends. The intent of this section is to incorporate a future focus and provide decision makers and citizens with more certainty about the direction of City services, finances, and tax levels. 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 2013-2015, which will see the addition of two libraries, the Carville Community Centre, a fire engine for

station 7-8, additional parkland, etc. The City’s Financial Master Plan is scheduled for mid-year 2011, which will provide greater depth on these figures, policy recommendations, and further discussion regarding the City’s infrastructure.

Infrastructure Funding

The prevailing theme throughout the long-range financial planning process was that infrastructure replacement is significantly under funded and an infrastructure funding strategy is essential to begin addressing the backlog of unfunded projects and future infrastructure requirements. This challenge and funding strategies were presented to Council in prior years.

Historically, the City of Vaughan and other municipalities in Ontario were not required to budget for amortization expense based on historical costs in annual budgets, but have rather budgeted for contributions to reserves and capital expenses based on analysis of short-term and long-term replacement cost, and affordability to the taxpayer. However, recent regulation now requires that municipal staff prepare a report on the differences between contribution and amortization expenses. This difference is not incorporated in the financial outlook, but as noted in the report “Impact of Budgeting for Amortization and Post-Employment Expenses”, which was provided to Council on April 5th 2010, funding these future-oriented expenses will impact tax rate and user fees.



Relationship to Vaughan Vision 2020

The developing the 2011/2012 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 of Vaughan is becoming increasingly more sophisticated with each passing year and there is a need to broaden the budget horizon and unveil the future. The implementation of multi-year budgets will provide decision makers with added foresight and ability to proactively grasp future opportunities, address future challenges, and reduce blind spots by understanding the longer-term financial

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implications of present and past decisions. This is a very strategic approach intended to plan where the City's future resources should be focused to best support the City and generate public value.

The City has followed a very thorough process to minimize any tax increase, while maintaining levels of service and meeting regulatory requirements. Very tight budget guidelines, approved by Council, were issued to all departments limiting increases to established commitments and pre-defined external pressures. In addition to the strict base budget guidelines, a number of additional resource requests were put forward by departments to maintain service levels, comply with regulatory requirements, and implement new initiatives. A considerable amount of time was spent reviewing the operating base budget and prioritizing resource requests in order to develop a realistic and responsible financial plan for 2011 and 2012.

The resulting outcome of above efforts is illustrated below in the building the budget diagram.

Components	<u>BUILDING THE BUDGET</u>					
	<u>2011 Tax Rate Change</u>			<u>2012 Tax Rate Change</u>		
	<u>%</u>	<u>\$/Home</u>	<u>\$(m)</u>	<u>%</u>	<u>\$/Home</u>	<u>\$(m)</u>
Base Budget	1.08%	12.53	1.46	2.59%	30.87	3.67
ARR	1.67%	19.37	2.25	2.90%	34.57	4.12
<i>Subtotal</i>	<i>2.75%</i>	<i>31.90</i>	<i>3.71</i>	<i>5.49%</i>	<i>65.42</i>	<i>7.79</i>
<i>Hospital Land Levy</i>	<i>1.36%</i>	<i>15.78</i>	<i>1.83</i>	<i>1.36%</i>	<i>16.21</i>	<i>1.93</i>
Grand Total	4.11%	47.68	5.54	6.85%	81.65	9.72

Attachments

Attachment 1 – Proposed 2011/2012 Operating Budget Summary

Attachment 2 – Additional Resource Requests Included in the Proposed Operating Budget

Attachment 3 – HST Adjustments

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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.)

72. PROPOSED 2011 CAPITAL BUDGET

MOVED by Councillor Shefman
seconded by Regional Councillor Rosati

- 1) That the recommendations contained in the following report of the City Manager, the Commissioner of Finance/City Treasurer, and the Director of Reserves and Investments,

dated April 5, 2011, be approved;

- 2) That the following recommendation contained in Communication C3, from the Commissioner of Finance/City Treasurer, dated April 5, 2011, be approved:

That the Proposed 2011 Capital Budget totaling \$65,732,589 comprised of funding of \$58,881,437 from Reserves and Sources other than Taxation (Attachment 3) and \$6,851,152 from Taxation (Attachment 5) be approved subject to receiving input from the public; and

- 3) That the following deputations and Communications be received:

1. Ms. Rose Rushton, 552 Vellore Park Avenue, Woodbridge, L4H 0G4, and Communication C5, be received;
2. Ms. Jane Hunter, Kleinburg Nashville Tennis, 90 Weaver Court, Kleinburg, L0J 1C0;
3. Mr. Ken Schwenger, KARA, 118 Cold Spring Road, Kleinburg, L0J 1C0;
4. Ms. Carolyn Marmurek, 20 Seabreeze Avenue, Thornhill, L4J 8R7, and Communication C6; and
5. Mr. Kevin Hanit, 72 Queensbridge Drive, Concord, L4K 5T1.

CARRIED

Recommendation

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

- 1) That deputations from the public be received; and
- 2) That the Proposed 2011 Capital Budget totaling \$62,236,712 comprised of funding of \$56,082,187 from Reserves and sources other than Taxation (Attachment 3) and \$6,157,525 from Taxation (Attachment 5) be approved subject to receiving input from the public and any further adjustments from the Finance and Administration Committee meeting of April 1, 2011.

Contribution to Sustainability

The preparation of the 2011 Capital Budget and the policies on which the capital budget is based are enhanced in the principles of sustainability.

Economic Impact

The proposed 2011 Capital Budget totals \$62,236,712 and is funded from a variety of sources (Attachment 2). The proposed 2011 Capital Budget is within Council approved policies with the recognition of limited tax dollars and the staff resources available to undertake the work.

The future estimated annual operating budget impact of the proposed 2011 Capital Budget is \$526,960 or a 0.39% property tax increase when the projects are complete, excluding future replacement costs.

Communications Plan

Public consultation and input are important elements of the budget process and essential to validate the needs of the community and balance them within available resources. For this reason, all Finance and Administration Committee meetings are open to the public. Community comments and input regarding the budget are received throughout this process and considered by Members of Council during budget deliberations. In the interest of increasing the community's awareness, these meetings were extensively advertised on the City's website and using local media partners. Overall, nine Finance and Administration Committee meetings were held, including two evening meetings, which

generated a substantial amount of community input that was incorporated into Council’s decision making process.

In addition to the above section, a Special Council meeting is scheduled before budget approval to provide the public with a final opportunity to comment on the 2011 Capital Budget. This meeting was advertised in advance and consistent with the City’s public notification by-law.

Following approval of the budget, the appropriate media releases will be distributed per City policy.

Purpose

The purpose of the public meeting is to obtain input and provide the public with an overview of the proposed 2011 Capital budget, and specific projects recommended for approval. It does not include any recommendations coming forward from the April 1, 2011 Finance and Administration Committee meeting.

Background - Analysis and Options

In the preparation of the Capital Budget a number of issues were taken into consideration. The pressures of maintaining existing infrastructure and growth requirements are balanced against available funding, the impact on future operating budgets and the staff resources to undertake and manage the capital projects.

To assist staff in the development of the annual Capital Budget, Council approved a series of key financial policies and they are listed as follows:

- 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

The key financial policies have had a positive impact on the financial stability of the City of Vaughan. The following summarizes the key financial information compared to targets approved by Council:

	<u>Estimated Dec. 31, 2010</u>	<u>Approved Target</u>
Net Development Charge Balance	\$78.4M	N/A
Discretionary Reserve Ratio	67.4%	> 50% of own source revenue
Working Capital	11.8%	> 10% of own source revenue
Debt Level *	5.5%	< 10% of own source revenue

*Includes Commitments for OSA and Vaughan Sports Complex.

Based on the above noted financial policies, Finance staff have assessed the availability of funding and established a funding line within each funding source.

The total 2011 capital requests submitted by departments equal \$90,571,157. Following the initial submissions, Finance staff met with the individual departments to review the submissions and clarify available funding. Departments then prioritized the capital projects within each funding source and the Capital Budget was submitted to SMT for review.

Following the staff review process, the proposed 2011 Capital Budget submission totals \$62,236,712 and is funded from development charges, reserves, taxation, grants and miscellaneous funding.

Development Charges Reserves

For the projects 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 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 charge funding source. Based on the above endorsed guidelines, Finance staff have assessed the funding availability and established a specific funding line for each service.

Capital Reserves & Reserve Funds

Each department has prioritized the capital projects within each capital reserve and reserve funds funding source. Based on the endorsed financial policy/guidelines that the Discretionary Reserve Ratio is greater than 50% of own source revenue and that the requirement of funds to be on hand prior to project approval, Finance staff assessed the funding available and established a specific funding line for each of the capital reserves and reserve funds. Based on these funding lines, the projected 2011 Discretionary Reserve Ratio is 63.1% of own source revenues.

Taxation

Projects identified from taxation funding are non-growth related projects that have no other source of financing such as repairs, technology replacement, etc. In addition, included in the funding request 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 2011 proposed Operating Budget allocated \$6,629,522 to taxation funded capital projects. This amount is consistent with prior years. The 2011 taxation funded capital projects requests total \$23,392,950. Given that there are insufficient funds provided from the 2011 Operating budget to fund all taxation funded capital projects, staff reviewed the list of previously approved taxation funded capital projects to determine potential surplus funds. In addition, Staff have identified \$200,000 available from previously approved taxation funded capital projects that have been closed. As a result, the revised amount available from taxation is \$6,829,522. Senior staff reviewed the \$23,392,950 in requests and prioritized projects totaling \$6,157,525 (Attachment 5) leaving an unallocated balance of \$671,997.

Taxation Funding Available	\$6,829,522
Funding for recommended projects (as of March 28, 2011)	<u>\$6,157,525</u>
Unallocated Balance available	<u>\$671,997</u>

Of the \$6,157,525, \$1,117,152 relates to development charges co-funding required under the Development Charges Act. Approval of taxation funded capital requests in excess of \$6,829,522 would have an additional impact on the 2011 Operating Budget and the property tax rate.

Municipal Gas Tax Funds (AMO)

Eligible infrastructure under the Municipal Gas Tax Funding Agreement are projects that are environmentally sustainable municipal infrastructure projects.

The municipality must clearly demonstrate that the funding used for a project is incremental and the funding either enabled a project implementation, enhanced its scope or accelerated its timing. The

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objective of the Gas Tax Program is to provide municipalities with funding for infrastructure investments that promote cleaner water and air and reduced greenhouse emissions.

Reconciliation of funds received and committed is as follows:

AMO Gas Tax Funds received as of Dec. 31, 2010	\$22,629,993
Less: Commitments	<u>\$12,932,843</u>
Balance available for Eligible Projects	<u>\$9,697,150</u>

Staff have reviewed the list of capital projects submitted and with concurrence of AMO staff have identified a number of capital projects eligible under the Municipal Gas Tax Funding Agreement totaling \$9,627,825 as identified above the Gas Tax Reserve funding line. Further expenditure plans will be provided as future gas tax revenues are received.

Operating Budget Implications

The Proposed 2011 Capital Budget funding lines have been recommended. Should Council approve the capital projects identified above the funding lines, the estimated future operating cost implication is estimated at \$526,960 or 0.39% in property tax increase when the projects are complete. This excludes any lifecycle costs associated with the projects.

Reserve Continuity Schedule

The Preliminary Continuity Schedule of Capital Reserves and Development Charges (Attachment 6) identifies all the City reserves and deferred revenue accounts (Development Charges) and illustrates the estimated balance at the end of 2010. The Continuity Schedule of Capital Reserves and Development Charges is useful for tracking reserve balances and ensuring funds are on hand prior to project approval.

Relationship to Vaughan Vision 2020/Strategic Plan

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

Regional Implications

Not applicable

Conclusion

The City Manager with the Senior Management Team and Finance staff reviewed the 2011 capital submissions and established priorities and appropriate funding lines. The Finance and Administration Committee followed a very thorough process to review the Proposed Capital Budget projects over the course of five (5) Finance and Administration Committee meetings.

The proposed 2011 Capital Budget is \$62,236,712 funded from various funding sources.

The operating budget implication for the proposed 2011 Capital Budget included in this report is \$526,960 or approximately 0.39% property tax increase when the projects are complete.

Attachments

- Attachment 1 – Proposed 2011 Capital Budget Expenditure Summary
- Attachment 2 – Proposed 2011 Capital Budget Funding Summary
- Attachment 3 – Proposed 2011 Capital Budget Projects Recommended
- Attachment 4 – Proposed 2011 Capital Budget Funding other than Taxation
- Attachment 5 – Proposed 2011 Capital Budget Funded from Taxation

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Attachment 6 – Preliminary Continuity Schedule of Capital Reserves and Development Charges

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.)

73. BY-LAWS

MOVED by Councillor Carella
seconded by Councillor Iafrate

THAT the following by-law be enacted:

By-Law Number 53-2011 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”. (User Fees and Charges By-law 396-2002) (Item 4, Finance and Administration Committee, Report No. 6)

CARRIED

74. CONFIRMING BY-LAW

MOVED by Councillor Carella
seconded by Councillor Shefman

THAT By-law Number 54-2011, being a by-law to confirm the proceedings of Council at its meeting on April 5, 2011, be read a First, Second and Third time and enacted.

CARRIED

75. ADJOURNMENT

MOVED by Regional Councillor Schulte
seconded by Councillor Yeung Racco

THAT the meeting adjourn at 8:31 p.m.

CARRIED

Hon. Maurizio Bevilacqua, Mayor

Jeffrey A. Abrams, City Clerk