

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 31, 2005

Item 1, Report No. 6, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on October 31, 2005.

1 2006 DRAFT OPERATING BUDGET

The Budget Committee recommends:

- 1) That a further report be provided to the next Budget Committee meeting addressing the issues identified by Members of Council, including:**
 - **opportunities to further reduce the proposed tax rate increase;**
 - **supporting documentation on whether the 2006 budget guidelines were adhered to;**
 - **Full-Time Equivalent (FTE) report;**
 - **the full cost of the Communities in Bloom program;**
 - **the current Sports Village subsidy program, including a comparison with area municipalities;**
 - **a further review of user fees particularly where “no change” has been recommended;**
 - **the basis for user fee increases, including a comparison with area municipalities;**
 - **a legal opinion on the use of funds in the Building Permit Reserve;**
 - **a list of part-time and/or contract staff in the ITM department;**
 - **a cost breakdown of the \$215,440 budget impact associated with Access Vaughan’s new complement requests; and**
 - **a report on the Services Review, including options and cost implications; and**

- 2) That the following report of the City Manager, the Commissioner of Finance and Corporate Services and the Director of Budgeting and Financial Planning, dated October 28, 2005, be received.**

Recommendation

The City Manager, the Commissioner of Finance & Corporate Services, the Director of Budgeting and Financial Planning in consultation with the Senior Management Team recommend:

That the following report on the 2006 Draft Operating Budget be received for information purposes.

Economic Impact

The attached 2006 Draft Operating Budget reflects a requirement for a taxation funding increase of \$4.9m which equates to approximately a 5.1% tax rate increase. This excludes the budget impact of the Fire Collective Agreement arbitration which is the subject of a separate confidential report on today’s agenda and the recommendations contained in the Fire Services Review which is also a separate report on today’s Budget Committee agenda.

Purpose

To inform the Budget Committee on the current status of the 2006 Draft Operating Budget, highlight issues and obtain input.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 31, 2005

Item 1, BC Report No. 6– Page 2

Background - Analysis and Options

The 2006 Operating Budget Process

The City of Vaughan continues to be subject to the many factors that put significant pressure on the property tax rate. The normal pressures of inflation, staffing resources, external contract costs in excess of inflation, collective agreements, etc., are further compounded by the cost impacts experienced by high growth municipalities. These pressures present significant challenges to achieving a balanced budget, and 2006 is no exception.

Recognizing these budget challenges, Finance staff undertook the following:

- Initiated the 2006 Operating Budget process much earlier than in previous years.
- Prepared a 2006 Forecast for the Council/SMT Strategic Summit in March 2005.
- Updated the 2006 Forecast in June 2005.

Understanding the challenge based on above, the approach to the 2006 Budget challenge was to be addressed through a combination of the following actions:

1. Stricter Budget Guidelines to limit the size of the budgetary issue;
2. Performance Measurement Initiative to assess efficiencies;
3. User Fee Review;
4. Tax Rate Analysis; and
5. Services Review to provide Council with options.

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

1. 2006 Operating Budget Guidelines

Complete budget submissions were due September 9, 2005. Stricter Operating Budget guidelines were designed to minimize the budgetary impact on the tax rate for 2006. The re-designed guidelines included freezing most account lines with the exception of salaries and benefits resulting from approved collective agreements, by-laws, etc, impacts of new facilities, external contracts, insurance and utilities, and long term debt repayment. These limitations combined with the instruction to review and increase all user fees were designed to minimize the tax rate increase. The result, as evidenced in the attached budget draft, was a tax rate increase lower than previously forecasted, excluding the budget impact of the Fire Collective Agreement and the Fire Services Review.

2. Performance Measures Initiatives

A performance measurement initiative was undertaken in June 2005. The objective of the initiative was to gather data and develop performance measures to facilitate a fact based discussion with respect to the efficient delivery of certain city services.

The initiative was focused on tax supported services. The result of that work is the subject of a presentation on today's Budget Committee agenda.

3. User Fee Review

There is an ongoing balance between funding through a user fee those residents who

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 31, 2005

Item 1, BC Report No. 6– Page 3

receive City services versus funding the service 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. If the cost of delivery increases and the user fee does not increase, by default there is a requirement to raise the property tax rate. Attachment 2 identifies the proposed increase in user fees contained in the City’s Fee By-law. In addition to the Fee By-law the Recreation advises that it has increased most fees by a minimum of 2%. Further, Recreation has undertaken a user fee study, the results of which are anticipated shortly.

4. Tax Rate Analysis

As stated previously the Draft 2006 Operating Budget before the Committee reflects a tax increase of 5.1%. This excludes the impact on the tax rate of the pending arbitration with the Fire Fighters Association and the decision with respect to the recommendations coming out of Fire Services Review.

5. Services Review

Some time ago Council initiated a process whereby staff were to review the services that are provided by the City. Services were categorized as either mandated through legislation or regulations, essential or value added. The purpose of the review was to provide information and facilitate budget deliberations around the allocation and re-allocation of limited resources. The City Manager and Commissioners are finalizing this review.

2006 Draft Operating Budget

Current Status

Based on providing current service levels in 2006 the 2006 Draft Operating Budget reflects a \$4.9m taxation funding increase which equates to a 5.1% tax rate increase excluding the budget impact of the Fire Collective Agreement and the Fire Services Review. The 5.1% tax rate increase can be broken down as follows:

	Tax Rate Impact
Entire City of Vaughan operations before the following:	1.4%
Fire –excluding budget impact of collective agreement	0.1%
Library	0.5%
Impact of Bill 124 - Building Permit Revenue	<u>3.1%</u>
Total-excluding budget impact of Fire Collective Agreement	5.1%

This draft of the 2006 Operating Budget includes continuing to take \$2.2m from the Tax Rate Stabilization Reserve and anticipates a \$2.5m surplus carried forward from 2005.

As indicated earlier in this report, the budget impact of the Fire Collective Agreement is not included in the attached 2006 Draft Operating Budget. Upon receipt of the arbitrator award, the Budget Committee will be advised of the additional budget impact of the collective agreement. This issue is further discussed in a separate confidential report as part of today’s agenda.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 31, 2005

Item 1, BC Report No. 6– Page 4

Revenue and Expenditure Summary

Overall revenues have not increased over 2005. In fact, after adjusting for the change in accounting for the insurance reserve total revenues actually decreased. A concern with revenue was anticipated and as a result, as part of the guidelines, all departments were instructed to increase their fee rates in line with their cost increases and submit opportunities for new user fees.

The budget guidelines included adjusting user fees to reflect changes in the cost of delivering the service. Attachment 2 of this report reflects the changes as submitted by departments. In some cases, the fees have been adjusted to reflect cost increases, in other cases, no changes have been recommended by departments. A further review of user fees, particularly for the areas with no change recommended, may provide an opportunity to mitigate the tax rate increase.

An integral component of the 2006 Operating Budget Guidelines is the freezing of most account lines outside of the specific areas previously outlined in this report. In order to check adherence to this guideline, administrative support departments budgets were verified to ensure that there were no other increases or that any budgetary increases were offset by corresponding decreases in other line items. Service departments with increases for allowed utilities, service contracts, etc. confirmed that any other account increases were also offset by decreases in other areas or balanced to zero.

Through our review of expenses and assurances from Commissioners and Directors, we are not aware of any instances of the guidelines not being followed.

In addition, this adherence to guidelines can also be supported by the fact that department expenses, outside of the insurance reserve contribution, increased by only 4.1%. This 4.1% includes the 3.5% economic adjustment for staff and all increases for the permitted service contracts, utilities, etc.

The budget guidelines were designed to limit expenditure increases. This exercise has been successful. Total expenditures increased, adjusted for the change in the accounting for the insurance reserve increased by only 3.7%.

As stated above, the primary issue for the 2006 Operating Budget is revenue shortfall. Some of the major revenue decreases are as follows:

- Legislated Impact of Bill 124 – Reduced Building Permit Revenue \$3.0m
- Supplemental Taxation –reduced revenue \$0.4m
- Enforcement Services Revenue \$0.3m

There has been volume decreases projected that reduces revenue primarily in the areas of Enforcement Services and Committee of Adjustment. User Fee rate increases were discussed earlier in this report and a copy of the 2005 User Fee By-law with proposed changes is provided in Attachment 2.

Included in the 2006 Draft Operating Budget are new complement requests which have been scrutinized by Senior Management and only those deemed as essential requirements are included in this draft of the operating budget. Aside from the external recommendations from the Fire Services Review and Access Vaughan requests, there were 19.9 FTE requests. Senior Management has put forward only 9 FTE's for approval. Of these, 3 have a zero taxation budget

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 31, 2005

Item 1, BC Report No. 6– Page 5

impact. The new complement requests are itemized for the Budget Committee information in Attachment 3 of this report. The Fire & Rescue Services new complement requests are listed for the Budget Committee's information, but are not included in the base budget. These new complement requests are part of the Fire Services Review and are the subject of a separate report on this agenda. Outside of the Fire Services Review new complement requests, the budget impact of the Senior Management essential new complement requests is \$480k.

Future Outlook

As mentioned at the outset of this report, the City of Vaughan continues to experience all of the issues that put pressure on the tax rate. These issues will continue in the future and are often permanent in nature and therefore their budget impacts must be permanently addressed. Some of the major issues in future budget years include:

- Continued Inflation
- Continued Impact of Collective Agreements
- External contract price increases exceeding inflation
- Uncertain Economic and Assessment Growth
- Interest Rate Fluctuations
- Potential legislated OMERS Pension Plan contribution increases. Bill 206 has received first reading only. Connected with the proposed legislative changes are proposed changes to the OMERS plan. AMO's preliminary estimates indicates the impact is extremely high
- Impacts of New Facilities that may be approved by Council
- Issuance of Long Term Debt for major road repairs
- Increased Infrastructure Repair and Replacement Requirements and the impact of Vaughan's Long Range Financial Planning Study.

At future budget deliberations these issues will have to be considered when assessing service levels, funding strategies and sustainability.

Next Steps

1. City Manager and Senior Management finalize the Services Review initiative;
2. Report to the Budget Committee on the Impact of the Fire Collective Agreement when awarded; and
3. Further Budget Committee deliberations as required.

Relationship to Vaughan Vision 2007

The 2006 Draft Operating Budget is the process to allocate and approve the resources necessary to continue operations and implement Council's approved plans.

Conclusion

The attached 2006 Draft Operating Budget provides the Budget Committee with an overview of the current status of the operating budget process.

Attachments

Attachment 1 - 2006 Draft Operating Budget, October 28, 2005
Attachment 2 - User Fee Summary, October 28, 2005

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 31, 2005

Item 1, BC Report No. 6– Page 6

Attachment 3 - New Complement Requests (Mayor & Members of Council only)
(Available in Clerks Department)

Report prepared by:

Clayton Harris, CA, ext. 8475
Commissioner of Finance & Corporate Services

John Hrajnik, B.COM, CMA, ext. 8401
Director of Budgeting & Financial Planning

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

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 31, 2005

Item 2, Report No. 6, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on October 31, 2005.

2 PERFORMANCE MEASUREMENT PRESENTATION ON KEY TAX SUPPORTED SERVICES

The Budget Committee recommends:

- 1) That the recommendation contained in the following report of the City Manager, dated October 28, 2005, be approved; and
- 2) That a further report be provided addressing Members of Council's comments, including Council's role in the Performance Measurement process, external benchmarking and a corporate business plan.

Recommendation

The City Manager in consultation with the Commissioner of Finance and the Senior Manager of Strategic Planning, recommend:

- 1) That Attachment 1. Pre-Budget Performance Measurement Overview Presentation be received.

Economic Impact

There is no economic impact

Purpose

To facilitate pre-budget discussion through the introduction of performance measurement information which demonstrates the efficiency and effectiveness of tax supported services such as roads maintenance and winter control, library, enforcement services, business licensing, recreational programming, recreation facilities, parks and fire.

Background - Analysis and Options

The Senior Management Team contracted with an external consultant, Performance Concepts, to develop performance measures in key tax supported services as listed above. These measures focus on demonstrating the efficiency and effectiveness of business operations and also provide information on the productivity of the aforementioned services. In particular, it was felt that this information would be useful for council as part of it's 2003 budget deliberations.

Relationship to Vaughan Vision 2007

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Conclusion

The performance measurement information contained in the presentation is expected to provide useful information for the budget process and establish a precedent for future work in other area of the Corporation.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 31, 2005

Item 2, BC Report No. 6– Page 2

Attachments

1) Pre-Budget Performance Measurement Overview presentation will be distributed at the meeting.

Report prepared by:

Thomas Plant
Senior Manager of Strategic Planning

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

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 31, 2005

Item 3, Report No. 6, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on October 31, 2005.

3 IMPLEMENTATION STRATEGY FOR THE RECOMMENDATIONS ARISING FROM THE IER OPERATIONAL PROCESS ANALYSIS FOR THE VAUGHAN FIRE AND RESCUE SERVICE

The Budget Committee (Closed Session) recommends that this matter be referred to the Committee of the Whole (Working Session) meeting of November 15, 2005.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 31, 2005

Item 4, Report No. 6, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on October 31, 2005.

4

2005 SECOND QUARTER REPORT

The Budget Committee recommends approval of the recommendation contained in the following report of the City Manager, the Commissioner of Finance and Corporate Services, the Senior Management Team and the Director of Budgeting and Financial Planning, dated October 28, 2005:

Recommendation

The City Manager and the Commissioner of Finance & Corporate Services, the Senior Management Team and the Director of Budgeting and Financial Planning, recommend:

That the 2005 Second Quarter Variance Report be received for information purposes.

Purpose

To report the year-to-date results versus the operating budget as of June 30, 2005.

Background - Analysis and Options

The attached second quarter variance report compares the current status of both departmental and corporate expenses and revenues for the six-month period ending June 30, 2005, relative to the 2005 year-to-date operating budget. The year-to-date operating budget is calendarized based primarily on the spending patterns of last year. This variance report is prepared on a partial accrual basis; only major revenue streams or expenditures not booked, but incurred to date, have been accrued.

The combined excess of revenues over expenses, (balances transferred to reserves as per policy), is not directly indicative of the final year-end surplus; it measures the excess at a point in time and may be eroded due to unforeseen events such as winter storms in the latter part of the year, an economic downturn, or a delay in the expenses to the last part of the year.

Second Quarter Ahead of Budget

At the end of the second quarter, the excess of revenues over expenses is \$1.1m. This result is comprised of revenues being \$1.0m under budget and expenses that are below budget by \$2.1m. The \$1.1m or 0.7% is a positive variance. The main areas that attribute to the positive variance are summarized below.

		<u>\$M's</u>
<u>Revenues</u>		
Reserves		(0.6)
Fees & Service Charges:		
Bldg Stds. - Building Permits	(1.5)	
Other – (various departments)	<u>0.6</u>	(0.9)
Corporate Revenues		<u>0.5</u>
Total		(1.0)
<u>Expenses</u>		
Departmental Expenses:		
Recreation	0.8	
Buildings & Facilities	0.2	

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 31, 2005

Item 4, BC Report No. 6– Page 2

Parks Operations	0.3	
Community Planning	0.2	
Building Standards	0.3	
Information Technology Management	0.3	
Engineering and Construction Services	0.5	
Public Works	(0.3)	
Other – (various departments)	<u>0.6</u>	2.9
Corporate Expenses (savings realized in departments)		(0.8)
Total		<u>2.1</u>
Year-To-Date Revenues Net of Expenses		<u>\$1.1M</u>

The City's Operating Budget is \$158,567,490. As previously stated the \$1.1M represents a variance of 0.7%.

Explanations were required when there is an unfavourable or large variance. The following variance explanations for revenues and expenditures were received from each Commissioner for their respective areas of responsibility.

City Manager

Strategic Planning Expenditures Unfavourable \$(29,220)

We have a \$29,200 unfavourable variance in the Strategic Planning Budget as one staff member has been charged incorrectly to the Strategic Planning Budget and not to the Corporate Policy Budget. This variance will not be an issue by the end of the year as we are in the process of preparing an action form to rectify the discrepancy.

Corporate Policy Expenditures Favourable \$52,286

\$29,200 related to the above comment for Strategic Planning and the remaining balance consists of other minor favorable variances in other areas.

Fire & Rescue Service Revenues Favourable \$398,631

\$300,000 of the variance was a one time unconditional grant from the Provincial Government and directed towards enhancements to the local fire service - essentially in the areas of training, equipment, fire prevention etc. The remaining balance consists of other minor favorable variances in other areas.

Fire & Rescue Service Expenditures Unfavourable \$(320,735)

As above the \$300,000 was a one time unconditional grant and transferred to the Fire Reserve and shown as an expenditure.

Commissioner of Finance and Corporate Services

All variances were favourable and there are no variances requiring explanation.

Commissioner of Legal and Administrative Services

Comm. of Legal and Administrative Services Expenditures Unfavourable \$(6,758)

Computer/Hardware/Software - Purchase of new Blackberry and accessories (unforeseen purchase when preparing 2005 Budget). This variance cannot be corrected by year-end.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 31, 2005

Item 4, BC Report No. 6– Page 3

Vehicle Repairs and Mtce. - Services on the Commissioner's vehicle included standard preventive vehicle maintenance as required. It was necessary in 2005 to replace brakes, repair a windshield and replace a rear windshield wiper motor. This variance cannot be corrected by year-end.

Rental, Leases – Vehicles: Unfortunately, due to a budgeting submission error, the Office of the Commissioner of Legal and Administrative Services will have an unfavorable variance of approximately \$1,100.00 at the end of the year.

Professional Fees: We have no control over amount of Professional Fees spent in any given budget quarter; it depends on issues that come up. Failing any legal issues coming up in the next three months, it is hoped that this variance will correct itself by the end of the year.

Conclusion - It is the Commissioner's belief that at year-end, the overall budget will be favorable.

Clerks – Licensing Revenues Favourable \$138,282

This favourable variance is a result of greater than anticipated revenue in the first half of the year. It is unknown at this time if this favourable trend will continue through to the end of the year.

Clerks – Committee of Adjustment Revenues Unfavourable \$(45,336)

Revenues projected for 2005 are a "best guess" estimate based on previous year's figures for severance and variance applications. Since revenue is generated through applications made by the public it is difficult to accurately predict whether there will be an increase in applications over the next few months.

Legal Services- Administration & Real Estate Revenues Unfavourable \$(14,619)

There is no control over when or how quickly developments will proceed, or when during the year additional legal services will be required, usually arising out of a request from Council. There is expected significant development activity in the fall, as opposed to the summer, and the revenue at the year-end will likely reflect that. Estimated miscellaneous revenue from requests for services is always subject to not receiving those requests.

Enforcement Services Revenue Unfavourable \$(92,733)

The parking revenue as of June 31, 2005 is below the projected amount by \$92,000 or an unfavorable result of 8.51%. It is anticipated that this pattern will likely continue to the end of the year. Due to the reassignment of a member of the Special Enforcement Unit out of a direct revenue position, there is a loss of at least \$100,000 of parking revenue. Also, we experienced the loss of another Special Enforcement Officer for five months at the start of the year, resulting in approximately \$40,000 of parking revenue. We have also re-directed two part time parking officer positions to deal with first attendance adjudication on a pilot project basis until June 2006. The will result in a loss of approximately \$100,000 over the life of the project.

Enforcement Services Expenditures Favourable \$118,027

The overall budget will likely end the year in a similar state, although a number of expenses have been incurred since the department was split with administration located at the Civic Centre and Operations at Tigi Crt. Some of these expenses are: an additional photocopier was required as each location had a need for this equipment; staff are required to shuttle between locations and the mileage will likely far exceed the budgeted amount; due to the new office configuration, extra office equipment (i.e. phones and computers) will need to be added in the fourth quarter.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 31, 2005

Item 4, BC Report No. 6– Page 4

Commissioner of Community Services

Recreation Revenues Unfavourable \$(337,960)

According to the calendarized YTD budget, camp revenues totaling \$540,000 should have been posted in June when instead they were posted in July resulting in this unfavorable showing. This entry will be corrected by the end of the 3rd quarter. Removing this factor places the department in a favorable position of approximately \$170,000.

Recreation Expenditures Favourable \$797,472

The primary reason for this favorable variance is due to gapping. There are a number of unfilled vacancies on hold for the re-org that has resulted in this showing. The 3rd and 4th quarter will begin to show these expenses being actualized. Savings in expenses were also realized as a result of the Vellore Community Centre opening in September rather than the budgeted April.

Building and Facilities Revenues Favourable \$119,564

The favourable variance is primarily a result of a transfer from a reserve for Uplands Golf Centre for \$85k which is offset by a charge back to the reserve in the expenditure section.

Building and Facilities Expenditures Favourable \$253,693

Maintenance projects that were anticipated to be done have been deferred until the second half. We will not have that large of a variance by year-end as these projects will be completed. As well, we have experienced some delays in staff hiring. The favourable trend will not continue due to the positions being filled.

Parks Operations / Cemeteries Revenues Unfavourable \$(48,614)

The unfavourable variance is primarily a result of regional boulevard maintenance yet to be billed to York Region. This should be corrected by year end.

Parks Operations Expenditures Favourable \$331,071

This variance as it relates to materials, supplies and contracts will be made up in the next quarters as projects and contract invoices for work completed were paid the following quarter. It should also be noted that some turf projects were rescheduled to the fall from the spring.

Vacant full-time positions were filled towards the end of the second and beginning of third which reflects a portion of the variance as well.

Commissioner of Planning

Community Planning Expenditures Favourable \$158,845

The reason for the favourable variance during the period of January 2005 to June 30, 2005 is a result of vacancies in full time staff positions. During this period the position of Senior Urban Designer, Planner and a clerical position were vacant.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 31, 2005

Item 4, BC Report No. 6– Page 5

Building Standards Revenues Unfavourable \$(1,489,936)

At the time of the preparation of the 2005 Operating Budget, it was predicted that during the 2005 Budget year the department would begin to receive building permit applications and revenues for new residential developments within Blocks 11, 12, 18 & 33 west. To date, the department has not begun to receive these permit applications. It is our expectation that these applications will commence by the end of the year or the beginning of next year.

Building Standards Expenditures Favourable \$249,546

The majority of the monies related to this variance is the result of vacancies in full-time department staffing.

Commissioner of Economic and Technology Development and Corporate Communications

Economic and Business Development Revenues Favourable: \$168,926

The favourable variance for CFT was the result of fundraising for a new program previously not budgeted. The unfavourable variance in Dept. Misc. Revenue is the result of delay in payments from MEDT and other agencies. The variance will be corrected by year-end. The favourable variance in Outside Contributions is the result of revenues carried over from the 2004 Discover Vaughan Bash as well as revenues raised for the 2005 event.

Economic and Business Development Expenditures Favourable \$102,189

There is an unfavourable variance in Full-Time salaries due to an incorrect allocation of Contract employee salaries to this account with a slight offset from a vacant position (Project/Marketing Coordinator) that was not filled until September. Even after the proper transfers, the variance will not be corrected due to the length of the vacancies. The favourable variance in Part Time Salaries is due to an incorrect allocation of Contract employee salaries to Full-Time Salaries. Two contract vacancies were not filled until September. Even after the proper transfers, the variance will not be corrected due to the length of the vacancies. Favourable variances in Outside Services can be attributed to the timing of delivery of services impacted by MEDT's approval of the business plan, and the variance will be corrected by year-end. The unfavorable variance in CFT Expenditures is due to a new program previously not budgeted, and the variance will not be corrected. The favourable variance in Grouped Expenses is due to calendarizing projects to the last 2 quarters of 2005. It is expected that the variance will be corrected at year-end.

Information and Technology Management Expenditures Favourable: \$287,651

Some departmental initiatives for 2005 have been delayed due to the move to Tigi Court. This impacts the Computer Hardware /Software Line. The extra time taken to execute the Peoplesoft conversion project has extended the timing of related service contracts and professional fees expenses. It is expected that the overall favourable variance as of the end of June will be corrected by the end of this fiscal year. The end of year expenditures forecast is in line with the budget.

Commissioner of Engineering and Public Works

Engineering Services Revenues Unfavourable: \$(143,969)

The unfavourable variance is primarily a result of the issues identified below.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 31, 2005

Item 4, BC Report No. 6– Page 6

Environmental Assessment Fees Revenue indicates that there is a shortfall of \$23,532. However, a similar balance would be reflected under the Environmental Assessment Fees - Expenditure line item to account for this "short fall". The Environmental Assessment Reviews are now done mostly in-house by the Environmental Engineer, therefore, the budgeted Revenue and Expenditure of \$28,000 has changed.

With respect to the unfavourable Revenue variance of approximately \$71k in Engineering Recoverable – External; the unfavourable position will be improved by year-end but will likely fall short of Budget by approximately \$60,000. This is due to the fact that Developers are now following the Subdivision Agreements more diligently (e.g. road cleaning, weed cutting, garbage & debris removal). As a result, the City does not have to perform the work and receive payment of the surcharge that would be applied to the costs.

Engineering & Construction Services Expenditures Favourable: \$513,420

With respect to the Expenditure variance in line item accounts, the favourable variance of \$513,420 is principally found in the salary and benefit lines. This is due to delays in hiring new and replacement staff as a result of vacancies and will be corrected by year-end. In terms of the other line items that show a favourable balance it is expected that the Budget will be met by year-end.

Public Works Revenue Favourable \$291,096

The favourable variance is primarily a result of a grant for curbside recycling.

Public Works Expenditures Unfavourable: \$(340,391)

The unfavourable balance in Public Works is primarily due to winter control costs being \$611K over budget, that are offset by favourable balances in other areas, resulting in a net unfavourable amount of \$341K.

The winter control budget is over budget primarily due to the quantity of salt purchased, the amount of contracted services needed, and the associated fuel costs, all of which relate to the type and duration of the 2004-2005 winter season. This unfavourable amount is not expected to correct itself by year end, as the salt domes will be filled again this month to start the 2005-2006 winter season.

Corporate Revenues

Corporate revenues are favourable \$523k for the first six months of 2005 primarily due to unfavourable investment income of \$507k offset by favourable variances in hydro investment income and fines and penalties. The Total Investment income for the City as at June 30, 2005 is on target as compared to the proposed budget for both reserves and operating but the operating allocation is currently unfavourable. The issue is the allocation between operating and reserves for investment income. The variance should correct itself by the end of the year.

Corporate Expenditures

Corporate expenditures are unfavourable \$460k for the first six months of 2005. This is expected since "gapping" savings are budgeted under corporate expense, however the actual savings are in the respective individual departments.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 31, 2005

Item 4, BC Report No. 6– Page 7

Revenue from Reserves

Revenues from reserves are \$616k lower than budget due to actual spending in departments being lower than budget. This in turn reduces the requirement for reserve transfers to the operating budget.

Capital from Taxation

Capital projects funded from taxation are over budget by \$399k, the overage was a result of additions to the proposed budget which will be funded from other capital projects surplus.

Relationship to Vaughan Vision 2007

The report is consistent with the priorities set by Council and the necessary resources have been allocated and approved.

Conclusion

Based on the year-to-date budget for the Second Quarter of 2005, the excess of revenue over expenditures is \$1.10m. This excess is a point in time measure and may not be indicative of any potential actual year-end excess. In addition, over the past few years the operating budget has relied on prior year's surplus of \$2.5m to assist in balancing the budget. It is unclear at this time if \$2.5m will be available in the 2005 year-end surplus to be utilized in the 2006 Operating Budget.

Attachments

Attachment 1 – 2005 Second Quarter Variance Report

Report prepared by:

John Hrajnik, B.Com, CMA
Director of Budgeting & Financial Planning
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.)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 31, 2005

Item 5, Report No. 6, of the Budget Committee, which was considered by the Council of the City of Vaughan on October 31, 2005, was dealt with by approving:

That this matter be referred to the Committee of the Whole (Closed Session) meeting of November 7, 2005.

5 **ACCESS VAUGHAN/BUDGET TRANSFERS/MAYOR AND MEMBERS OF COUNCIL**
(Referred from Committee of the Whole (Closed Session) meeting of October 17, 2005)

The Budget Committee recommends that the “Draft 2006 Council Budget Worksheet” submitted by Councillor Di Vona, be received and referred to the Council meeting of October 31, 2005.

Council, at its meeting of October 17, 2005, adopted the following:

That this matter be referred to the Budget Committee meeting of October 28, 2005.

Recommendation of the Committee of the Whole (Closed Session) meeting of October 11, 2005:

- 1) That the contributions towards the funding of Access Vaughan for 2006 from the budgets of Members of Council be as follows, for a total of \$65,000.00:

Mayor	-	\$11,440.00
Regional Councillors	-	\$ 7,170.00
Local Councillors	-	\$ 6,410.00

- 2) That the confidential report of the City Clerk, dated June 8, 2005, be received; and

- 3) That the confidential memorandum of the City Clerk, dated October 5, 2005, be received.

Attachments (*under separate cover to Members of Council only*)

1. Confidential report of the City Clerk, dated June 8, 2005.
2. Confidential memorandum of the City Clerk, dated October 5, 2005.

(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.)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 31, 2005

Item 6, Report No. 6, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on October 31, 2005.

6

**POTENTIAL FINANCIAL IMPACT OF OUTSTANDING
INTEREST ARBITRATION AWARD**

The Budget Committee (Closed Session) recommends that the confidential report of the Commissioner of Legal & Administrative Services, the Director of Human Resources, the Commissioner of Finance & Corporate Services and the Director of Budgeting & Financial Planning, dated October 28, 2005, be received.