

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 14, 2005

Item 1, Report No. 14, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 14, 2005.

1 2005 DRAFT OPERATING BUDGET

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 November 23, 2004:

Recommendation

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

That the following report representing the latest draft of the 2005 Operating Budget be received for information purposes.

Purpose

To provide the Budget Committee with an update on the status of the 2005 Operating Budget.

Background - Analysis and Options

Background

Over the past few weeks staff have provided a variety of reports to assist the Budget Committee in their deliberations. In addition, there has been updates to the 2005 Draft Operating Budget originally submitted as part of the November 2, 2004 Budget Committee agenda. It is appropriate for staff to provide the Budget Committee with the latest Draft 2005 Operating Budget, attached to this report, which incorporates all of the adjustments over the last few weeks.

Senior Management Review of New Complement and Other Requests

The November 2, 2004 Draft Operating Budget, previously submitted to the Budget Committee, did not include in the base budget the impact of the new complement and other requests except for new complement associated with the new/expanded facilities/parks and Station 7-9 Fire Station. Senior Management has now reviewed all of the new complement and other requests and the resulting recommendations are now included in the Draft 2005 Operating Budget attached to this report as Attachment 1. Commissioners support the recommendations or deletions of requests, including new complement requests, related to their respective areas of responsibility. A summary of the results of Senior Management review is provided below for the Budget Committee's information.

	Nov.2/04 Draft Original Requests	Nov.23/04 Draft SMT Recommended	Change
New Complement Requests	\$1.8m	\$0.2m	\$(1.6m)
Strategic/New Initiatives Requests	\$2.6m	\$0.02m	\$(2.6m)
Other Requests	<u>\$1.2m</u>	<u>\$0.9m</u>	<u>\$(0.3m)</u>
Total Requests	\$5.6m	\$1.1m	\$(4.5m)

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As mentioned above, the new complement and other requests of \$1.1 are now included in the attached 2005 Draft Operating Budget before the Budget Committee. In addition, all of the schedules and justifications for these requests are included in Attachment 2, 3, and 4 of this report. Of the \$1.1m recommended by Senior Management, \$0.8m is attributable to road repair work necessary to reduce the escalating deterioration of roads and to extend the life of those roads before full replacement is necessary.

2005 Draft Operating Budget Major New Impact Increase & Summary Update

As a result of the adjustments to the draft operating budget noted above, the list of major new impact increases has changed. To assist the Budget Committee in their deliberations, the revised list of major new impact increases are summarized below for the Budget Committee's information.

Fixed Contract Obligations – Waste, winter, etc.	\$1.8m
Vellore CC and expanded CC's	\$1.8m
Fire Station 7-9 Increased New Complement	\$1.0m
Long Term Debt Repayment	\$1.7m
Collective Agreements/By-Laws/Full Year Impact/Progression/etc.	\$3.9m
Library Board Approved Budget Increase	\$1.2m
Bldg & Fac/Parks/Roads Repairs & Maintenance	\$2.8m
Insurance Increase/Great West Life Benefit Increase	\$1.0m
Hydro Joint Services Provision	\$0.4m
Bill 124-Bldg Permit Budget Impact	\$0.2m
Other various major new impacts	<u>\$0.4m</u>
Sub-total major new impacts	\$16.2m
Less estimated assessment growth of 4.57%	<u>(\$3.5m)</u>
Draft Budget Increase	\$12.7m
Draft 2005 Operating Budget Tax Rate Increase	18.0% or \$126/avg Household

All of these major new impact increases are permanent in nature and require permanent funding sources. The magnitude of the base budget increases and the reasons for their occurrence make clear that assessment growth is insufficient to cover these increases.

2005 Draft Operating Budget Expenditure Overview

An update of the 2005 Draft Operating Budget expenditures by major expense line is also provided for the Budget Committee's information.

Salaries & Benefits	\$ 86.2m	54.7%
Contracted Services	\$ 20.4m	13.0%
Reserves Contributions	\$ 8.1m	5.1%
Long Term Debt	\$ 4.4m	2.8%
Mtce/Utilities/Mtls	\$ 13.9m	8.9%
Capital Projects funded from taxation	\$ 6.5m	4.1%
Insurance	<u>\$ 2.1m</u>	<u>1.3%</u>
Sub-Total	<u>\$141.6m</u>	<u>89.9%</u>

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Tax Adjustments	\$ 1.3m	0.8%
Vaughan Hockey Assoc Subsidy	\$ 1.0m	0.6%
Professional Fees	\$ 1.9m	1.2%
Computer Hardware/Software	\$ 1.1m	0.7%
Office Supplies and equipment	\$ 0.6m	0.4%
Other	<u>\$ 10.0m</u>	<u>6.4%</u>
 Sub-Total	 <u>\$ 15.9m</u>	 <u>10.1%</u>
 Total Draft 2005 Expenditures	 <u>\$157.5m</u>	 <u>100.0%</u>

In addition, provided below is an updated summary of the specific expense items, excluding the Library, identified by the Budget Committee in the past for scrutiny.

	2005 Draft Budget	2004 Budget	Variance
Advertising	\$362,800	\$388,745	\$(25,945)
Computer hdw/soft	995,745	940,380	55,365
Cellular	172,784	227,694	(54,910)
Office Equipment	202,750	207,490	(4,740)
Office Supplies	247,141	253,126	(5,985)
Overtime	994,560	725,510	269,050
Part time	8,309,983	7,769,698	540,285
Professional fees	<u>1,695,050</u>	<u>1,929,420</u>	<u>(234,370)</u>
 Total Excl'dg. Library	 \$12,980,813	 \$12,442,063	 \$538,750

There are updates to various expense lines from the November 2, 2004 Budget Committee agenda. These increases are primarily based on the requirements related to the inclusion of the new facilities of new/expanded facilities/parks and Fire Station 7-9.

Updated Recreation Recovery Ratio Analysis

The Recreation department has revisited revenues originally submitted to the Budget Committee as part of the November 2, 3004 agenda. The updated recovery analysis is provided below for the Budget Committee's information. The 2004 Budget has also been recalculated based on further refinement, as provided by Recreation, to the administration cost allocation to the various areas. The review of recreation recovery ratios is an on-going process and will be assimilated into the Recreation department's normal procedures upon hiring of the business analyst.

Updated Recreation Direct Revenue/Cost Recovery Analysis (% Direct Recovery)

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	2005 Draft Budget (*)	2004 Budget (*)	Variance
Aquatics	72.2%	71.9%	0.3%
Fitness Centres	92.9%	85.1%	7.8%
General Programs	67.4%	69.7%	(2.3)%
Camps	80.8%	85.2%	(4.4)%
Permitting	197.1%	183.3%	13.8%
City Playhouse	86.7%	83.4%	3.3%
Other	<u>87.9%</u>	<u>79.2%</u>	<u>8.7%</u>
Total Recreation	89.6%	88.6%	1.0%

(*) Administration costs are allocated based on estimates provided by Recreation

Next Steps in the Budget Process

- Report on Building Permit and Planning Fees
- Review other Fees
- Review Vehicle Reserve Contribution
- Review Investment Income
- Review Current Vacancies
- Further Budget Committee Deliberations
- Public Consultation

Relationship to Vaughan Vision 2007

The objective of the operating budget report is to allocate the necessary resources and obtain Council approval.

Conclusion

The purpose of this meeting of the Budget Committee is to provide Members of the Budget Committee with an updated overview and analysis of the 2005 operating budget.

Attachments – (Members of Council Only) Available in the Clerks Dept.

- Attachment 1 – 2005 Draft Operating Budget, Revenue and Expenditure Summary
- Attachment 2 – 2005 Draft Operating Budget, New/Expanded Facilities/Parks/Fire Stn.7-9
- Attachment 3 – 2005 Draft Operating Budget, SMT Recommended New Complement Requests
- Attachment 4 – 2005 Draft Operating Budget, Strategic Planning Initiative Requests

Report prepared by:

John Hrajnik, CMA, ext. 8401
Director of Budgeting and 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.)

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Item 2, Report No. 14, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 14, 2005.

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2005 PROPOSED CAPITAL BUDGET

The Budget Committee recommends that this matter be referred to the Budget Committee meeting of December 7, 2004.

Recommendation

The City Manager, the Commissioner of Finance & Corporate Services, the Senior Management Team and the Director of Reserves and Investments recommends:

- 1) That the capital projects identified above the funding line as Proposed 2005 Capital funded other than Taxation and Long-Term Debt totaling \$32,252,000 (excluding New City Hall) be approved (Attachment 2);
- 2) That the capital projects identified above the funding line as Proposed 2005 Capital funded from Long-Term Debt totaling \$12,711,000 be approved (Attachment 3);
- 3) That the capital projects identified above the funding line as Proposed 2005 Capital funded from Taxation be approved (Attachment 4); and,
- 4) That the 2005 Proposed Capital Budget be forwarded to a future Committee of the Whole at which time a date for a public meeting will be determined.

Purpose

The purpose of this report is to afford the opportunity to provide members of the Budget Committee an opportunity to comment on the 2005 Proposed Capital Budget.

Background - Analysis and Options

The process of preparing the Capital Budget reflects a balancing of a number of issues. The continued pressures maintaining existing infrastructure, growth and the provision of new servicing requirements are balanced against available funding, the impact on future operating budgets, and the staff resources to undertake and manage the projects.

Council has approved significant amounts of capital work through the annual capital budget process (2004 \$77.6m, 2003 \$57.7m, 2002 \$60.2m).

The proposed draft 2005 capital budget submission total \$201,353,000. As of October 31, 2004 there remains approximately \$85.7 million in approved capital works outstanding from previous years. Capital projects are funded from four main sources: Development Charges, Reserves, Taxation and Long-Term Debt. To assist staff in the development of the annual Capital Budget, Council approved a series of key financial fiscal policies and are listed as follows:

- 1) Level of discretionary reserves;
- 2) Level of working capital;
- 3) Level of debt;
- 4) Level of funding from taxation; and
- 5) The requirement of funds to be on hand prior to project approval.

These policies have had a positive impact on the financial stability of the municipality. Overall key financial information/ratios approved by Council are being met.

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The following is a summary of the key financial information ratios compared to targets approved by Council.

	<u>Projected Dec. 31, 2004</u>	<u>Approved Target</u>
Net Development Charge Balance	\$53.0M	N/A
Discretionary Reserves	60%	50% of own source revenues
Working Capital	11.4%	10% of own source revenues
Debt Level *	1.4%	10% of own source revenues

*Includes Commitments for OSA & Vaughan Sports Complex

The following capital budget report excludes further consideration of the City Hall project as it was dealt with a separate report to Council.

Development Charge Reserves

For the projects submitted to be funded from Development Charges, the following guidelines previously endorsed 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) No service category pre-financing should not be increased; and
- 3) Commit no more than 50% of anticipated revenue for any service category that is already pre-financed.

Capital projects have been prioritized by each department within each development charges funding source. Finance staff have assessed the funding availability and established a proposed funding line.

Within the exception of Fire Services and General Government (Planning Studies) the proposed draft 2005 capital budget is within these guidelines.

Long-Term Debt

Capital projects identified for long-term debt financing are large projects that have no other source of funding other than taxation. The 2005 request for long term debt financing total is \$12,711,000 mainly for road related construction.

A municipality may borrow or undertake financial obligations provided that the annual repayment related to the debt and financial obligations do not exceed 25% of our source revenues. It is recommended that the capital projects identified above the funding line from long term debt totaling \$12,711,000 be approved. With this approval, the City of Vaughan debt charges will be within the 10% debt policy approved by Council. The issuance of debt will have an estimated annual operating budget impact of \$1,537,000.

Taxation

Projects identified fro taxation funding are non-growth projects that have no other source of financing i.e. maintenance, repairs, technology, etc. In addition, included in the funding request from taxation is the 10% co-funding requirement of the Development Charges Act for certain growth related services (Libraries, Recreational Complexes, Parks and Vehicles).

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The amount of funding provided for taxation funded projects from the 2005 Draft Operating Budget is \$6,522,000. The 2005 requests total \$36,031,000. Given that there are insufficient funds provided from the 2005 Draft Operating Budget to fund all the taxation funded capital projects, staff have reviewed previously approved projects and have identified \$400,000 in surplus funds. As a result the revised amount available for taxation funded capital projects is \$6,922,000.

As there are insufficient funds to fund all taxation funded project requests, staff have prioritized the capital projects and have set the proposed funding at \$6,649,000. Budget Committee input on the remaining \$273,000 is requested.

Any further approval of the taxation funded capital requests beyond the \$6,922,000 would have an additional impact on the 2005 Operating Budget and the property tax rate.

Operating Budget Implication

The proposed draft 2005 capital funding lines have been recommended. Should Council approve the capital projects identified above the proposed funding line, the City will experience future net operating costs that are associated with the projects, i.e. proposed parks, proposed community centre expansions, proposed fire halls and proposed equipment. The estimated future operating cost implication is estimated at \$3,491,000 or an estimated 5% increase in the property tax rate when the projects are complete.

Relationship to Vaughan Vision 2007

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

Conclusion

The City Manager with the Senior Management Team and finance staff have reviewed the capital budget submissions and have established priorities and appropriate funding lines. The operating budget implications for the proposed capital budget included in this report is \$3,491,000 or approximately a 5% property tax increase when the projects are complete.

Attachments - (Members of Council Only) Available in Clerks Dept.

- Attachment 1 – Proposed 2005 Capital Budget Funding Summary
- Attachment 2 – Proposed 2005 Capital Budget Funded other than Taxation and Long-Term Debt
- Attachment 3 – Proposed 2005 Capital Budget Funded from Long-Term Debt
- Attachment 4 – Proposed 2005 Capital Budget Funded from Taxation
- Attachment 5 – Preliminary Continuity Schedule of Capital Reserves and Development Charges for 2004

Report prepared by:

Ferruccio Castellarin, CGA
Director of Reserves and 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.)

(Please also refer to Item 1, Budget Committee, Report No. 15)

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Item 3, Report No. 14, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 14, 2005.

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2004 THIRD 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 November 23, 2004:

Recommendation

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

That the 2004 Third Quarter Variance Report be received for information purposes.

Purpose

To report the year-to-date results versus the operating budget as of September 30, 2004.

Background - Analysis and Options

The attached third quarter variance report compares the current status of both departmental and corporate expenses and revenues for the nine-month period ending September 30, 2004, relative to the 2004 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 third quarter, the excess of revenues over expenses is \$3.2m. This result is comprised of revenues being \$0.6m ahead of budget and expenses that are below budget by \$2.6m. The \$3.2m represents a 2.2% positive variance from the annual operating budget and the main areas that attribute to the positive variance are summarized below.

	<u>\$M's</u>
<u>Revenues</u>	
Reserves	(0.2)
Supplemental Taxation	0.3
Payments in Lieu (PIL's)	0.2

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Fees & Service Charges:		
By-Law Enforcement	(0.9)	
Bldg Stds. - Building Permits	(0.3)	
- Plumbing & Service Charges	(0.1)	
Community Planning and Policy	0.5	
Recreation	0.5	
Parks	0.4	
Other – (various departments)	<u>0.9</u>	1.0
Corporate Revenues		<u>(0.7)</u>
Total		0.6

Expenses

Departmental Expenses:		
Fire	0.6	
Recreation	0.5	
ETD/ITS/Eng./Bldg & Fac./HR/By-Law Enf.(\$0.2m each)	1.2	
Parks	(0.1)	
Libraries	0.6	
Other – (various departments)	<u>1.1</u>	3.9
Corporate Expenses (savings realized in departments)		<u>(1.3)</u>
Total		<u>2.6</u>

Year-To-Date Revenues Net of Expenses \$3.2M

The City's Operating Budget is \$141,093,990. The \$3.2M represents a variance of 2.2%.

The following variance explanations for revenues and expenditures variances were received from each Commissioner for their respective areas of responsibility.

City Manager

Fire and Rescue Service Expenses favourable \$653k

Fire and Rescue Service is \$653k favourable due mainly to the actual timing of hiring versus the budget calendarization. This should be corrected by the end of the year.

Commissioner of Finance & Corporate Services

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

Commissioner of Legal and Administrative Services

Clerk's Revenues unfavourable \$(13)k

Revenues projected for 2004 are estimates based on previous year's figures. Revenues are generated from the provision of services such as document commissioning and certification, copies of Official Plan Amendments, Subdivision Agreements, Subdivision Releases, by-laws, tapes of Committee/Council meetings, issuance of burial permits, etc. There appears to have been a general reduction of requests from the public for these services. It is difficult to accurately predict the number of requests the department will receive in a year and consequently the revenues projected are a "best guess" estimate. Although revenues may increase over the next month or so, it is uncertain whether the department will meet the revenue projections for 2004. The 2004 budget is \$40,500.

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Enforcement Services unfavourable \$(857)k

As indicated in a memo from the Senior Manager, By-law Enforcement dated September 21, 2004, most of the initiatives approved by Council have been slow in implementation due to unforeseen administrative concerns. While these concerns have affected revenue, some of these can be carried over into the 2005 revenue projections:

1. Pool Permit Inspections Revenue Unfavourable

The item required an amendment to the Fee By-law. This has now been approved and the administrative processes are being worked out at this time to transfer money from the Finance Dept to Enforcement Services. As a result, no funds have been received on this item. This will carry over to 2005, however, the amount is difficult to predict as the number of inspections is dependant on the number of applications and compliance.

2. Private Parking Registration Revenue Unfavourable

This item was also waiting for Fee By-law amendments. However, renewals of the agreements for existing companies normally take place in October and November so revenues should be realized in the 4th quarter of this year.

3. Parking Fine Revenue Unfavourable

This item has been delayed due to administrative issues beyond the control of the City. Upon receiving approval for this initiative a request was sent to the Ministry of the Attorney General for increased fine approval. To date that approval has not been returned to us and but is expected very shortly. Therefore, the increase in revenue will not be realized in 2004, but will certainly carry over into 2005.

4. Increased Parking Ticket Revenue Unfavourable

This initiative is proceeding as indicated. While the revenue is currently lower than expected, this is normal as summer parking ticket revenue is generally lower. The remainder of this revenue will be realized in the last quarter of 2004. This initiative was intended to be a one time only initiative, as part of the \$10 million reduction, not an annual increase. In order to achieved this target, Provincial Offense Ticket revenue from the parks and community centres was reduced.

5. Licensing Enforcement Revenue

This initiative continues to move forward. The initiative has resulted in excess of \$100,000 in fines have been issued. There have been a number of administrative problems that have impacted revenues. The Licensing Bylaw lacked adequate wordings to charge some industries effectively. This may be rectified in an upcoming amendment to the Bylaw.

Other issues arose from the access and accuracy of the licensing records. This is being rectified with the purchase of a laptop computer to allow the licensing records to be accessed by the officer on the road rather than calling in and waiting for extended periods for the information.

Although revenues through fines are currently falling short of the predicted amount, an increase licensing fees being collected will help offset the shortfall due to the fact that some of the industries, along with the stationary businesses have started applying for licenses. This initiative will be the subject of diminishing returns as compliance levels continue to increase. This initiative will change to a maintenance phase by midway through 2005.

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To date, revenue levels are substantially below the target levels. While some initiatives are not going to deliver on the revenue projections, the current large shortfall is expected to decrease with the seasonal increase in parking enforcement and a large fine revenue cheque that is expected in early January.

Commissioner of Community Services

Recreation Revenue favourable \$527k

The fall program revenue was posted on September 30th while the expenses will be forthcoming in the last quarter. As well, revenues are marginally higher in most areas (memberships, permits, programs).

Parks Revenue favourable \$364k

The favourable variance is related to royalty cheques received from the City of Toronto relating to the Keele Valley Landfill, cheques from the Region for boulevard grass cutting work and revenue recovery relating to the Asian Long Horned Beetle.

Recreation Expenditures favourable \$460k

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 variance.

Parks Expenditures unfavourable \$(149)k

The \$(149)k unfavourable variance in Parks expenditures is primarily related to the timing of billings to the Region for boulevard grass cutting. This variance will be offset by the recovery.

Commissioner of Planning

Building Standards - Service Charges Revenue unfavourable \$(14)k, Plumbing Permits unfavourable \$(80)k and Building Permits unfavourable \$(257)k

The revenues received for service charges (lawyers letter fees) continue to be less than forecasted. The volume of letters has been declining and will likely continue to decline as more lawyers rely on title insurance. Adjustments have been made in the 2005 Operating Budget to reflect reduced volumes. Plumbing permits continue to be received at a lesser volume than forecasted (- 10%). This is due in part to lesser amounts of residential construction. With respect to building permit fees, the unfavourable variance is expected to be correct by year-end.

Community Planning Revenue favourable \$513k

The reason for the favourable variance in revenues is related to the significant increase in development activity experienced by the Department in the third quarter of the year (i.e. application fees). The Planning Department projects that the revenues will continue to be favourable to the end of 2004, thus offsetting any increase in expenditures.

Commissioner of Economic and Technology Development and Corporate Communications

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

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Commissioner of Engineering and Public Works

Public Works Expenditures favourable \$71k

Most of the issues surrounding the Public Works Operating Budget are due to the timing of actual expenses versus the calendarized budget and also the seasonal aspects of the work.

Roadway sweeping is an activity that is more intensive in the spring and fall periods. Currently showing a favourable amount of \$112K, the fall sweeping activities will bring this into line by year end.

Catch Basin cleaning was delayed this summer, and as a result, shows that it is favourable by \$45K. This work has since commenced and this account will be more on target by year end.

Street lighting is an area where the actual expense timing versus the calendarized budget is off significantly with 90% of the contracted maintenance budget being calendarized over the first 3 quarters of the year. As such, it shows the contracted maintenance costs as being favourable by \$215K. Offsetting this favourable amount is the cost of hydro, which is higher by \$65K than the calendarized budget reflects. This results in a net favourable of \$158K for this activity.

Roads Admin is showing favourable by \$38K due to the gapping of the Roads Supervisor position, This position has been filled in the 4th quarter.

Non-productive labour accounts were previously cleared once per year at year end. The change to produce monthly budget reports, now results in these accounts now being cleared monthly; however, the timing to budget does not reflect this change. This results in these accounts showing \$199K favourable.

There are also some unfavourable accounts in the Public Works budget, including the winter road maintenance materials accounts. The re-filling of the salt domes for the 2004-2005 winter season has commenced, which will result in significant expenditures showing in 2004. As was reported to the Budget Committee on November 2, 2004, the December 2003 costs for waste management were not accrued, and as a result, 13 months of payments will be reflected in the 2004 expenses.

Corporate Revenues

Corporate revenues for the first nine months of 2004 are unfavourable by \$(676)k primarily due to investment income, which is unfavourable by \$(673)k. The unfavourable investment income balance is due to the average investment rates being 0.25% lower than estimated during the 2004 operating budget process. In addition operating to reserve fund ratio is lower than initially budgeted.

Corporate Expenses

Corporate expenses are unfavourable by \$(1.3)m primarily in OMB professional fees which is \$(89)k unfavourable and unallocated savings in salaries, benefits and the GST rebate, which are \$(1.3)m unfavourable. The unfavourable variance in OMB professional fees will be corrected since \$80k of legal bills pertaining to OPA 600 for the Pine Valley link will be transferred to capital accounts. The unfavourable variance of \$(1.3)m in unallocated savings is offset and realized in the departmental budgets and form a significant part of why the departmental budgets are favourable on a year to date basis.

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Supplemental Taxation / Payments in Lieu (PIL's)

At the end of the third quarter the supplemental taxation is \$261k favourable and the payments in lieu (PIL's) are favourable by \$191k.

Revenues from Reserves

Revenues from Reserves of \$3.1m are \$(0.2)m lower than budget due to actual spending levels being lower than budgeted. This in turn, reduces the required reserve transfer.

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

Based on the year-to-date budget for the Third Quarter of 2004, the excess of revenue over expenditures is \$3.2m. 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 2004 year-end surplus to be utilized in the 2005 Operating Budget.

Attachments

Attachment 1 – 2004 Third Quarter Variance Report

Report prepared by:

John Hrajnik, CMA
Director of Budgeting and 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.)

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EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 14, 2005

Item 4, Report No. 14, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 14, 2005.

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**VAUGHAN PUBLIC LIBRARY BOARD
2005 OPERATING AND CAPITAL BUDGET REQUESTS**

(Referred from the Budget Committee Meeting of November 16, 2004)

The Budget Committee recommends:

- 1) **That this matter be referred to the Budget Committee meeting of December 7, 2004, and the Vaughan Public Library Board be invited to attend; and**
- 2) **That an invitation be extended to the Vaughan Public Library Board to attend all other Budget Committee meetings, if they so wish.**

The Budget Committee, at its meeting of November 16, 2004, recommended the following:

That the correspondence from Ms. Eileen Burrell, Chair, Vaughan Public Library Board, dated November 15, 2004, with respect to the Board's 2005 Operating and Capital Budget requests, be referred to the Budget Committee meeting of November 23, 2004.

Attachments

Correspondence from Ms. Eileen Burrell, Chair, Vaughan Public Library Board, dated November 15, 2004

(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.)

(Please also refer to Item 12, Budget Committee, Report No. 13 and Item 2, Budget Committee, Report No. 15)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 14, 2005

Item 5, Report No. 14, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 14, 2005.

5 ZERO BASED BUDGET-STAFFING COMPLEMENT REVIEW
(Referred from the Budget Committee Meeting of November 16, 2004)

The Budget Committee recommends approval of the recommendation contained in the following report of Councillor Di Vona, dated November 16, 2004:

The Budget Committee, at its meeting of November 16, 2004, recommended the following:

That this matter be referred to the Budget Committee meeting of November 23, 2004.

Report of Councillor Di Vona, dated November 16, 2004

Recommendation

Councillor Bernie DiVona recommends:

1. That the City of Vaughan Senior Management Team (SMT) conduct a review of the staff complement and report back to the Budget Committee at the next meeting with the results of their review.

Purpose

The City of Vaughan Senior Management Team (SMT) has expressed a need to conduct a "zero based" budget approach for 2005. The "zero based" budget approach is a procedure and system by which each department manager justifies all resources used within their normal operation with respect to the service performance and delivery requirements.

More importantly, the traditional approach to budgeting has been to take the previous year's budget and often make additions or changes to the previous budget based on influences for that year. As a result, the traditional review approach does not address, or require a review of "fixed" human resources.

The Staff Complement Review is needed to update and compare the "approved staff complement" with the "actual staff complement".

It is important to remember the "approved staff complement" is the base number of individuals that has been included in the operating budget. The "approved" staffing levels is therefore the burden on the tax rate, i.e. the amount included in the tax base and collected.

The staffing complement review is needed, as there has been a traditional difference between the "approved" staff complement and the "actual staff complement".

The difference has NOT been the vacancies that currently exist but significantly more.

With the variance between the "approved" and "actual" staffing complement there is a budgetary surplus created as we collect monies for positions that have been unfilled, and more importantly, traditionally not filled. A reduction in the "approved" staff complement would result in a paper reduction in the operating budget with no elimination or reduction in any employee.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 14, 2005

Item 5, BC Report No. 14 – Page 2

Background

The City of Vaughan Council has approved of a policy to have Vaughan Council approve of any/all staff positions. Over the years, and on an annual basis, requests have been made for approvals of "new" staff complements, changing of the organizational structure, and transfers between departments. No requests have been made to "delete" from the "approved" staff complement any position.

A review of the staff complement report for the past few years concludes as follows:

Year	<u>Approved Staff Complement</u>	Actual Staff Complement	Over/Under
2001	794	722	72
2002	839	771	74
2003	865	792	73
2004	895	844	54

Currently, the City of Vaughan Council receives notices of positions available and only a handful have been shown to be vacant and active placement activity exercised.

On an annual basis, the "burden" to the taxpayers is such that the tax rate includes positions that had been unfilled and the operating budget included the salaries and benefits for these positions.

For each of the past three years, the City of Vaughan has experienced an operating surplus and human resources have been a contributing factor.

The vacancies are such that there has remained over the years a large volume of "vacancies" no where near the placement or hiring taking place at any one point in time. For example, the public works department has had between 7 and 14 vacancies each and every year.

A reduction of the approved staffing complement is a "soft" cut to the budget as it would result in no displacement of any actual employee and, as with the reduction in the economy, no further displacement or other action would be taken.

An estimated impact on the 2005 budget if 50 of the 54 positions would be deleted is in excess of \$3.5 million.

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

A review of the existing City of Vaughan Staff Complement Report will better match the human resources that have been approved to the actual positions and current needs. It will reduce the "fixed" costs of the municipality so we can better manage real resources. It will result in the opportunity to reduce the impact of increased property taxes to all residents and businesses without affecting any existing employee.

Report prepared by:

Councillor Bernie DiVona

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 14, 2005

Item 6, Report No. 14, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 14, 2005.

6 "FREEZE" ON NEW JOB HIRINGS AND RECLASSIFICATIONS POSTINGS

(Referred from the Budget Committee Meeting of November 16, 2004)

The Budget Committee recommends:

- 1) **That Clauses 1 and 3 of the recommendation contained in the following report of Councillor Di Vona, dated November 23, 2004, be approved; and**
- 2) **That Clause 2 be referred to staff for a report for consideration at a future Budget Committee meeting.**

The Budget Committee, at its meeting of November 16, 2004, recommended the following:

That this matter be referred to the Budget Committee meeting of November 23, 2004.

Report of Councillor Di Vona, dated November 16, 2004

Recommendation

Councillor Bernie DiVona:

1. That the Budget Committee be provided with the total reclassifications having taken place during 2003 and 2004 and the financial impact on the operating budget for those years and 2005.
2. That the City of Vaughan implement a policy to "freeze" compensation above the existing approved levels for any/all hiring, existing employees, without Council's prior consent.
3. That this matter be provided to the Budget Committee at the next available meeting.

Purpose

The City of Vaughan had approved an update and review of all job descriptions and classifications in accordance with the Operational Review of 2002 by Grant Thornton. The City of Vaughan Council directed all job descriptions be updated and the necessary changes be made by December 2003. The City of Vaughan Council was advised that this was completed and the operating budgets for 2003, and 2004 reflect changes to reclassification, grading, and progress increases. Furthermore, retroactive increases were approved and provided by the City of Vaughan Council.

The City of Vaughan Human Resources Department has on an on-going basis continued the process, with the establishment of a committee, to either continue the process of reviewing changes to job descriptions and classifications to existing employees, many of which perform the identical function, report to the same individual, and self assessed the job duty as requiring greater compensation. Or, we continue to post "Notices" that the vacancy is "under review" for a position that was an existing position, already upgraded and now available.

The impact on the operating budget has been significant, continues to be significant, and is increasing as the implementation of each job posting and reclassification for the employee will only increase and be compounded by the benefits that must be provided.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 14, 2005

Item 6, BC Report No. 14 – Page 2

Background - Analysis and Options

The City of Vaughan has undergone a significant overall review of the salaries, wages, benefits of all employees during the past two years, including updating job descriptions and retro active pay adjustments, reclassifications and other changes. The 2005 draft operating budget, and the 2004 operating budget had considerable financial implications concurrent with an annual increase that has been provided.

Prior to the finalization of the budget, the need exists to understand the compensation in total. The practice at the City of Vaughan to “open” the rate of compensation over and above the approved limit should be discontinued, as we simply cannot afford to provide additional wages and salaries over the approved level.

Currently, an administrative committee, has made and is making significant changes to the compensation levels with reclassifications, an upgrading that has a major impact.

The City of Vaughan is undergoing a slowdown in the economy and the need to implement control on any new hirings and any further changes to what has already taken place with 100% of the employees should discontinue as cost cutting and financial controls are needed.

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

A thorough review and upgrade of job descriptions and compensation has been made. The on-going practice of compensating at levels over the existing levels should be discontinued. Leadership must be shown to mitigate against increased costs and property tax increases to residents.

Attachments

1. Attachment 1
2. Attachment 2
3. Attachment 3

Report-prepared by:

Councillor Bernie DiVona

(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.)

(Please also refer to Item 15, Budget Committee, Report No. 13)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 14, 2005

Item 7, Report No. 14, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 14, 2005.

7 **CITY OF VAUGHAN GROWTH AND SERVICE MANAGEMENT PLAN**
(Referred from the Budget Committee Meeting of November 16, 2004)

The Budget Committee recommends that this matter be referred to the Operational and Strategic Planning Committee.

The Budget Committee, at its meeting of November 16, 2004, recommended the following:

That this matter be referred to the Budget Committee meeting of November 23, 2004.

Report of Councillor Di Vona, dated November 16, 2004

Recommendation

Councillor Bernie DiVona recommends:

1. That the City of Vaughan Senior Management Team (SMT) be directed to develop standards with respect to service delivery, capital and operating expenditures taking into consideration the volume of work relative to the growth rate, level of service delivery, and other policies of the municipality.
2. That the City of Vaughan SMT incorporates within the operating and capital budget the necessary changes to match human, financial, and physical resources to municipal services.
3. That the service delivery standards be brought to the Budget Committee on an annual basis for review and consideration.

Purpose

The City of Vaughan has experienced significant growth, to accommodate this expansion, the City of Vaughan has provided more facilities; service levels have increased as Vaughan Council approved this process.

The City of Vaughan in the past few years, with anticipation for the near future feels it will experience a slowdown in economy and growth rate: The City of Vaughan has experienced 7.9% growth rate in 2003, and we are forecasting a growth rate of 4.57% for 2005 or a slowdown of over 40% for the past few years.

The City of Vaughan has expanded financial, capital, and human resources to meet the service levels- and provide the facilities and resources to meet the needs of the municipality.

The growth and service management plan is to ensure that standards are developed to finance, and control the expenditures relative to our service delivery and growth rate.

The growth and service management plan recognizes the need and importance to review our operating and capital costs with respect to volume of workload and service level activity. The existing structure includes resource consumption that has been in place with high growth and a critical review is needed to ensure that there is a better matching of resources to affordability, service delivery and the volume of work.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 14, 2005

Item 7, BC Report No. 14 – Page 2

Background-Analysis and Options

For several years the City of Vaughan has experienced significant growth, increased financial pressures with increased costs and inflation, and the construction of more facilities to build and operate. During the growth period, the City of Vaughan increased property taxes below the rate of inflation, but adjusted for the volume of activity has been significant. The existing structure of the municipality is such that 90% of the operating budget has been regarded or classified as "fixed". The "fixed" expenditures will result as provided by the Commissioner of Finance, per the 2004 budget process, an estimated financial burden of nearly 50% over the next three years. The "fixed" expenditures must be looked upon to determine if they are truly "fixed" based on the slowdown in the economy and reduction in workload.

A growth and service management plan will better match resources with service delivery. A growth and service management plan is consistent with similar practices used both inside government and in the private sector. We have all seen notices of layoffs and "right sizing" in the private sector. In York Region itself, York Region District Catholic School Board has developed standards in which the administration costs are tied into the number of students. A reduction in students in schools will also result in a reduction in workload and in the number of administration staff.

A review of the operating budgets for the past few years has shown a significant and steady increase in human resources including: part time, overtime and outside resources.

A growth and service management plan will provide the framework to develop standards to ensure and protect existing resources.

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

Without a review of our "fixed" costs the burden on the taxpayer's will result in increases that will be overwhelming. A growth and service delivery management plan is needed to take a leadership role with better matching resource consumption to become more effective, and efficient.

Report prepared by:

Councillor Bernie DiVona

(Please also refer to Item 13, Budget Committee, Report No. 13)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 14, 2005

Item 8, Report No. 14, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 14, 2005.

**8 VILLAGE OF MAPLE – PROPOSED HERITAGE CONSERVATION DISTRICT STUDY
PURSUANT TO PART V OF THE ONTARIO HERITAGE ACT**

The Budget Committee recommends:

- 1) That the recommendation contained in the following report of the Commissioner of Planning, dated November 23, 2004, be approved; and
- 2) That the funds be allocated from the Heritage Reserve Fund.

Recommendation

The Commissioner of Planning recommends that:

1. Funds be allocated in the Policy Planning and Urban Design 2005 Operating Budget in the amount of \$21,000 in order to undertake and complete a Heritage Conservation District Study for the Village of Maple (pursuant to Part V of the Ontario Heritage Act).

Purpose

To allocate funds to the Policy Planning and Urban Design 2005 Operating Budget in order to undertake a Heritage Conservation District Study for the Village of Maple.

Background - Analysis and Options

At its meeting of October 13, 2004, the Committee of the Whole (Working Session) received a staff presentation entitled "Village of Maple – Proposed Heritage Conservation District Study Pursuant to Part V of the Ontario Heritage Act" and directed staff to bring forward a report with recommendations that would give effect to a Maple Heritage Conservation District Study.

At its meeting of October 18, 2004, the Committee of the Whole gave consideration to the staff report (ratified by Council on October 25, 2004) and adopted a number of recommendations (see Attachment No. 1) including:

That Phillip H. Carter, Architect, be retained on a single-sourced basis in accordance with the City's Purchasing Policies to undertake Phases I, II, and III of the Study, the funds to be paid out of the 2004 Policy Planning and Urban Design Operating Budget in the amount of \$15,000; and

This item be forwarded to the City's Budget Committee for its consideration in allocating funds from the Policy Planning and Urban Design 2005 Operating Budget to complete Phases IV and V of the Study in the amount of \$21,000.

A work program submitted by Phillip Carter identified an upset fee to undertake a Heritage Study for Maple in the amount of \$36,000. The recommended approach to funding this Study is to undertake the Study in phases. Staff are recommending that \$15,000 be allocated for the initial phases of work to be paid from the Policy Planning and Urban Design 2004 Operating Budget (professional fees). For the balance of the Study and completion of the District Plan Heritage Design Guidelines, staff are recommending that \$21,000 be allocated in the Policy Planning and Urban Design 2005 Operating Budget for the purpose of completing the work.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 14, 2005

Item 8, BC Report No. 14 – Page 2

Relationship to Vaughan Vision 2007

The allocation of additional funds to complete a Heritage Study for Maple is consistent with the priorities previously set by Council related to strong support for heritage preservation and the conservation of Vaughan's 19th century rural villages.

Conclusion

A Heritage Conservation District Study for Maple is in the interest of the municipality and coincides with the objectives set out in the Planning Act, the Maple Community Plan, the Ontario Heritage Act and Vaughan Vision 2007. Once additional funds are allocated from the Policy Planning and Urban Design 2005 Operating Budget for undertaking the Maple Heritage Study, Council will be in a position to enact the necessary By-laws to establish the Study Area in accordance with Ontario Heritage Act procedures.

Attachments

1. Extract from Council Meeting Minutes of October 25, 2004.

Report prepared by:

Steven Bell, Urban Design Coordinator, ext. 8661

(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 FEBRUARY 14, 2005

Item 9, Report No. 14, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 14, 2005.

**9 ECONOMIC TECHNOLOGY/DEVELOPMENT AND COMMUNICATIONS
 2005 OPERATING BUDGET INCREASE BREAKDOWN**

The Budget Committee recommends:

- 1) That the confidential memorandum from the Commissioner of Economic/Technology Development and Communications, dated November 18, 2004, be received; and**
- 2) That staff provide a report detailing those employees that have received incentive payments.**

(Please also refer to Item 4, Budget Committee, Report No. 13)