CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 12, 2007

Item 1, Report No. 1, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 12, 2007.

1 APPOINTMENT OF BUDGET COMMITTEE CHAIR

The Budget Committee recommends:

That Councillor Di Vona be appointed Chair of the Budget Committee.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 12, 2007

Item 2, Report No. 1, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 12, 2007.

2 2006 THIRD QUARTER OPERATING BUDGET REPORT

The Budget Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance and Corporate Services and the Acting Director of Budgeting and Financial Planning, dated February 6, 2007:

Recommendation

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

That the 2006 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, 2006

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, 2006, relative to the 2006 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, where only major revenue streams or expenditures not booked, but incurred to date, have been estimated and 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 of revenues over expenses 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 timing of expenses, which will occur in the remaining part of the year.

Third Quarter Ahead of Budget

At the end of the third quarter, the excess of revenues over expenses was $2.9m. This result is comprised of revenues being $2.7m ahead of budget and expenses below budget by $.2m. The $2.9m or 1.7% is a positive variance. The main areas that contributed to the positive variance are summarized below.

		$M's
Revenues		
Reserve Transfers		(0.5)
Fees & Service Charges		3.2
Corporate Revenues		(0.5)
PIL / Supplemental Taxes / Other		0.5
Total		2.7
Expenses		
Departmental Expenses:		
Fire	0.4	
Budgeting & Financial Planning	0.2	
Enforcement Services	0.2	
Recreation	0.3	

Building & Facilities	0.3	
Building Standards	0.4	
Economic & Business Development	(0.1)	
Engineering and Construction Services	0.2	
Public Works	0.3	
Library	0.3	
Other – (various departments)	0.9	3.4
Corporate Expenses		(3.2)
Total		0.2
Year-To-Date Revenues Net of Expenses		$2.9M

The City's annual Operating Budget is $167,613,385. As previously stated the $2.9m represents a variance of 1.7%.

Listed below are explanations for significant revenue and expenditure variances. It should be noted that issues identified in this report are relatively consistent with those illustrated in the second quarter report.

City Manager

Fire & Rescue Service Revenues Unfavourable $(148,854)

Unfavourable revenue realized by Fire Operations is attributed to a lower volume of billable incidents and exercising more discretion with respect to billing.

Fire & Rescue Service Expenditures Favourable $354,040

The primary reason for this favourable variance was related to salary cost savings due to staffing vacancies. This was slightly offset by unfavourable variances in material and volunteer firefighter accounts largely due to budget vs. actual timing differences.

Commissioner of Finance and Corporate Services

City Financial Services Expenditures Favourable $102,480

The primary reason for this favourable variance was due to salary cost savings and favourable positions in contract and training & development accounts.

Budgeting & Financial Planning Expenditures Favourable $171,189

Significant salary cost savings related to vacancies in the Director and Manager of Financial Planning positions created the favourable variances and will disappear when positions are filled.

Commissioner of Legal and Administrative Services

Comm. of Legal and Administrative Services Expenditures Unfavourable $(35,969)

The variances were due to furniture & computer hardware for the new Commissioner starting in January 2006, as well as salary variances resulting from the former Commissioner's salary overlapping with the new Commissioner's salary. These are all 'one-time' circumstances 2006.

…/3

Clerks – Licensing Revenues Favourable $150,180

This favourable variance was a result of earlier than anticipated revenue bookings, likely caused by the change in taxi, tow truck, eating establishment, public garage and other license renewal periods. This trend is not expected to continue and correct itself by year-end.

Clerks – Committee of Adjustment Revenue Favourable $139,373

Committee of Adjustment's projected revenue for the first nine months was $139,373 was up due to a higher than anticipated increase in the number of Committee of Adjustment applications processed.

Clerks Expenditures Unfavourable ($24,020)

Most account variances are offsetting and related to associated licensing revenue and expenditures. The primary cause for the unfavourable variance was due to an increase in temporary staffing costs resulting from a paid leave of absence.

Clerks – Insurance Expenditures Favourable $128,968

This variance relates to lower than anticipated insurance prem1`iums. It is anticipated that this trend will continue and unless significant claims are experienced the favourable position should stand at year end.

Legal Services Expenditures favourable $122,861

The favourable variance is principally found in the salary/wages and benefits lines. This was due mostly to salary gapping. The remaining portion of variance is due to a favourable position in professional fees which may be required in the fourth quarter.

Enforcement Services Revenue Unfavourable $(596,191)

Similar to the trend experienced in the second quarter, departmental revenues were lower than budget due primarily to two factors. First, the department has experienced an unprecedented staff turn over in the business units that primarily produce revenue. These business units have been operating at less than 70% capacity. Secondly, existing staff have been redeployed to special projects and initiatives, which resulted in lower than anticipated revenue expectations. These circumstances are anticipated to continue for the remainder of the year.

Enforcement Services Expenditures Favourable $153,146

This was due primarily to savings in salary lines as a result of staffing vacancies.

Commissioner of Community Services

Comm. of Community Services Expenditures Favourable $184,525

The 3rd quarter favourable variance lies principally in professional fees and sundry expense accounts and is a result of expenses occurring later than originally forecasted i.e. Winterfest, symposium in Ottawa, sponsorship appreciation night, etc.

Communities in Bloom Sponsorship Unfavourable $(15,000)

This variance relates to sponsorship monies being sought for the Winterlights Celebration Program, which runs from the end of September to December 2006. In line with event timing, it is anticipated that sponsorship funding will be collected in the fourth quarter.

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Recreation Revenues Favourable $415,421

Strong performance in some key areas such as fitness memberships and permits resulted in a slight favourable variance for the 3rd quarter. Barring any unforeseen circumstances, it is anticipated that the year end numbers will be close to projections by the year end.

Recreation Expenditures Favourable $289,106

The primary reason for the 3rd quarter favourable variance is due to staff gapping earlier in the year. The 4th quarter will continue to show these expenses being actualized.

Building and Facilities Expenditures Favourable $336,153

The overall favourable variance can be explained by salary related savings resulting from staffing vacancies and the rescheduling of repair/maintenance projects to the latter half of the year. It is anticipated that the overall Building and Facilities budget will come in favourable or on target at year-end.

Parks /Forestry Operations Revenues Unfavourable $(152,357)

A significant portion of the unfavourable variance stems from a prior year invoice reallocation to the capital fund, which reduced the amount of year to date revenue reported. In addition, revenues for the Asian Long-Horn Beetle program are anticipated to come in slightly under budget. This pattern is expected to continue for the remainder of the year.

Parks/Forestry Operations Expenditures Unfavourable $(68,347)

Most account variances are offsetting and related to back filling full-time vacancies with part-time staff and budget timing differences in contract materials and internal charges/recoveries. The unfavourable variance was largely attributed to utilities exceeding annual projections caused by additional field lighting and park infrastructure servicing. Overall net department expenditures should come in relatively close to budget by year end.

Commissioner of Planning

Community Planning Revenue Favourable $525,496

The favourable planning application revenue variance was a result of an increased activity in official plan amendment, subdivision and condominium applications. This trend is continuing and expected to grow through to year-end.

Building Standards Revenues Favourable $2,497,552

Building permit volumes received during the first three quarters of the year were higher than anticipated when forecasted. Even with the recent softening of the new home sales market the department is significantly exceeding projected year-end budgeted revenues. This trend is continuing and expected to further outpace budget by year-end.

Building Standards Expenditures Favourable $354,476

The majority of the variance relates to vacancies in full-time positions. The position of secretary to the Director of Building Standards was just recently filled with a start date late October/early November. Two of four vacancies in plans review were filled in the first quarter and the remaining vacancies just recently filled in third quarter. In addition, there are three new positions in response to the performance and service delivery times legislated by the province, which will not likely be hired until 2007. It is anticipated that the current favourable variance will stand at year end.

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Commissioner of Economic and Technology Development and Corporate Communications

Comm. of ETD and Corporate Communications Expenditures Unfavourable $(679)

The Commissioner's vehicle lease expired early January 2006, resulting in a new lease effective February 16, 2006. With the start of a new vehicle lease, there were resulting one-time costs of $2,763, i.e. security deposit, taxes, administrative costs, and first month payment. The above unfavourable variance is offset by savings in other accounts i.e. cellular telephone charges, etc.

Economic and Business Development Expenditures Unfavourable $(104,802)

A significant portion of the department variance was attributed to city promotion overspending due to the unbudgeted business recovery program related to the road collapse, which occurred in February. In addition, higher than budgeted tourism expenses were incurred to carry out the approved tourism program, which are partially offset by Vaughan bash contributions, as well as from funds left over from previous years' Bash events. The journal transfer will occur in late December 2006. The remaining unfavourable variance is credited to a salary cost misallocation that should be corrected by year-end.

Information and Technology Management Expenditures Unfavourable $(71,583)

Most account variances are offsetting and related to additional part-time resources required to handle the workload of existing full-time vacancies. However, the unfavourable third quarter showing is a result of service contracts and communications costs occurring earlier than originally calendarized. This variance is not anticipated to continue to year-end and has shown considerable improvement over 2nd quarter results.

Corporate Communications Expenditure Unfavourable $(26,883)

The majority of the variance is found in the contractor and contract materials lines, which has exceeded the annual budget amount, as a result of more events hosted this year than last year, including several unbudgeted parkette openings, flag raisings, and program launches such as the Curb Appeal initiative. An unfavourable variance was also experienced in professional fees due to sponsorship program costs (e.g. Winter Fest, Canada Day, and Concert in the Park). The above variances were partially offset by savings in advertising, materials & supplies, and other accounts. It is anticipated the department will end the year in a favourable position as anticipated savings in other account lines will compensate for the overages experienced in contract and professional fee accounts.

Commissioner of Engineering and Public Works

Engineering Services Revenues Unfavourable: $(6,591)

The unfavourable third quarter position is due to lower than anticipated recoverable-external revenue levels. This resulted from developers being more responsive to chargeable conditions within the subdivision agreement.

Engineering & Construction Services Expenditures Favourable $166,485

Approximately half of the favourable variance is found in the salary/wages and benefits lines, due mostly to delays in hiring staff (new and replacement). Contractor & contract maintenance were also favourable as traffic signal maintenance and pavement marking contracts were awarded in late summer causing costs to occur later than originally calendarized. Since 2nd quarter this variance has moved more inline with budget projections.

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Public Works Revenues Favourable $133,041

The favourable revenue variance is attributed to higher than anticipated WDO recycling grant funding and a slight increase in demand for blue boxes. The WDO recycling program is relatively new and given funding allocations are to be determined at the regional level, preliminary revenue targets were conservatively estimated. This trend is expected to continue and the favourable variance will like stand at year-end.

Public Works Expenditures Favourable $341,940

Similar to the trend experienced in the second quarter, departmental expenditures were lower than budget due primarily to three factors. Firstly, the bulk of the department variance experienced was due to a favourable position in the contract accounts largely created by the timing of winter control events. Secondly, a significant favourable variance resulted from staffing savings caused by vacancies. Thirdly, savings were experienced in utilities related to unrealized anticipated growth in unassumed subdivision activities. Most of these circumstances are anticipated to continue for the remainder of the year.

The above favourable variances were partially offset by unfavourable variances in promotion & education, dumping charges, and internal recoveries. Promotion & education variances will be corrected when payments for the greening Vaughan initiative are transferred to the capital at year end.

Library Expenditures Favourable $344,509

The 3rd quarter favourable variance principally lies in salary savings due to gapping and delays in replacing vacant positions, timing of internal service billings, and deferred spending in computer, office supplies and resource accounts.

Payment in Lieu & Corporate Revenues

Payment in Lieu revenues are favourable $383k and have currently exceeded the annual budget. This was principally due to an improved collection effort and recent confirmation of property assessment additions. Although actuals have significantly exceed budget, the account position has stabilized and further performance gains are not anticipated.

Corporate revenues are unfavourable by $490k for the first nine months of 2006, largely linked to unfavourable investment income performance. In addition, Hydro investment third quarter results were also under budget, due to timing differences that will be rectified at year-end. The above unfavourable corporate revenue showings are mitigated by favourable fine and penalty results due to improved collection efforts and the expanding tax base.

Corporate Expenditures

Corporate expenditures were unfavourable by $3.1m for the first nine months of 2006. A significant portion of this balance is due to a substantial transfer to the building standards continuity reserve resulting from higher than anticipated building code permit revenue. As of July 1, 2005, Bill 124 imposed cost and price restrictions on the building code permit fees to the extent that revenues cannot exceed reasonable and anticipated costs. For this reason revenue surpluses are transferred to the reserve, as per the City’s policy, to provide future service continuity when expenses eventually outpace revenues. The above mentioned trend is anticipated to continue and will result in additional transfers at year-end.

An unfavourable position was also experienced in tax adjustments due to a projection timing difference, but it is anticipated that tax adjustments will come in on target at year end.

…/7

The remaining portion of variance was anticipated since "salary gapping" savings are budgeted under corporate expenses, but actual savings are realized within the respective individual departments. However, this is mostly offset by favourable variances experienced in unallocated benefits and elections costs.

Revenue from Reserves

Revenues from reserves were $498k under budget. Transfers to reserves are often tied to departmental expenses. If departments are lower than budgeted, this in turn reduces the requirement for reserve transfers to the operating budget. In addition, a transfer from the Planning Reserve was not required as planning revenues performed well and the City was in an overall favourable position. The combined impact of the above was minimized as Finance from Capital funding exceeded budget.

Capital from Taxation

Capital projects funded from taxation were over spent by $50k. The overage was a result of additions to the proposed budget by Council, which will be funded through 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 Third Quarter of 2006, the excess of revenue over expenditures was $2.9m. 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 uncertain at this time if $2.5m will be available in the 2006 year-end surplus to be utilized in the 2007 Operating Budget.

Attachments

Attachment 1 – 2006 Third Quarter Variance Report

Report prepared by:

John Henry, CMA
Acting Director of Budgeting & Financial Planning
Ext 8348

(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 12, 2007

Item 3, Report No. 1, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 12, 2007.

3 CAPITAL PROJECT THIRD QUARTER STATUS REPORT

The Budget Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance and Corporate Services and the Director of Reserves & Investments, dated February 6, 2007:

Recommendation

The Commissioner of Finance and Corporate Services and the Director of Reserves & Investments in consultation with the Senior Management Team recommends;

That this report be received for information purposes.

Economic Impact

There is no economic impact as all capital projects have been previously approved by Council and the reserve continuity schedule is for information purposes only.

Purpose

The purpose of this report is to provide Budget Committee with an update on the financial status of all approved capital projects and reserve balances as at September 30, 2006.

Background - Analysis and Options

The attached quarterly reports provides an update on the financial status of all approved and active capital projects and reserve balances.

Attachment 1 provides the Budget to Actual Status for all currently approved and active capital projects as at September 30th, 2006. It is important to note that while a capital work plan may be complete (the road done or the park built) the project is still considered active until all invoices are paid and all funding completed. It should also be noted that this report is a financial representation of payments made to September 30th, 2006 and is not an indication of the percentage completion of capital work-in-progress. This information is compiled at a point in time and as capital work plan information is continuously changing current information may vary from this report.

Reserves & Investments has reviewed the Budget to Actual Status report as at September 30th, 2006 and provides the following analysis:

- there are 349 open capital projects with a capital budget value of $380 Million
- to date approximately 60% of this capital budget has been spent (payments processed)
- capital work-in-progress to be completed is valued at approximately $200 Million
- 3 projects require additional funding which has been requested through the 2007 capital budget process

Attachment 3 provides the Reserve Continuity Schedule as at September 30th, 2006. This schedule provides information on the individual and aggregate reserve balances and the outstanding financial commitments required to fund approved projects. These commitments also include any payments required in future years where approved multi-year payment agreements exist. The balance available after commitments is compiled at a point in time and as reserve activity is ongoing the current available balances may vary from this report.

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Reserves & Investments has reviewed the Reserve Continuity Schedule as at September 30th, 2006 and provides the following analysis:

- the net increase in reserves and deferred revenues was approximately $2 M
- approximately $13 M in development charges were collected
- approximately $4 M in interest was earned during the quarter
- $38.3 M was transferred from reserves to capital to fund work-in-progress for the quarter

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 capital and reserves quarterly reports provide Budget Committee with the financial status of all approved capital projects and reserve balances.

Attachments

Attachment 1 – Budget to Actual Status Report by Department as at September 30th, 2006
Attachment 2 – Capital Projects Closed in the 3rd Quarter
Attachment 3 – Reserves Continuity Schedule as at September 30th, 2006

Report prepared by:

Marjorie Johnson, CGA
Manager of Capital Ext. 8984

(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 12, 2007

Item 4, Report No. 1, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 12, 2007.

4 CANADA ONTARIO MUNICIPAL RURAL INFRASTRUCTURE (COMRIF) APPLICATION - 2007 CAPITAL PRE-BUDGET APPROVAL

The Budget Committee recommends approval of the recommendation contained in the following report of the Director of Reserves & Investments, dated February 6, 2007:

Recommendation

The Director of Reserves & Investments in consultation with the Commissioner of Finance & Corporate Services recommends;

1. That the 2007 Capital Budget request Project# EN-1650-07 COMRIF – Baldwin Avenue Culvert Rehabilitation in the amount of $450,000 be pre-approved in order to commence the Environmental Assessment that is required to comply with the COMRIF Funding Agreement and ensure compliance with the submitted project schedule (milestones).

2. That the inclusion of the matter on a public committee or Council agenda for the pre-budget approval for this COMRIF project is deemed sufficient notice pursuant to Section 2(1)(c) of By-Law 394-2002.

Economic Impact

There will be an economic impact of $160,000 required from long term debt. Approximately $290,000 will be funded from the Federal and Provincial governments.

Purpose

The purpose of this report is to seek pre-budget approval for capital project EN-1650-07 COMRIF – Baldwin Avenue Culvert so that the necessary information can be compiled and comply with the COMRIF Funding Agreement.

Background - Analysis and Options

On September 11, 2006, Council approved the Bridge Rehabilitation application in the amount of $2,089,000 under Intake Three of the Canada Ontario Municipal Rural Infrastructure (COMRIF) funding program. The application was for three locations: Humber Bridge Trail Bridge, Baldwin Avenue Culvert and the Peelar Road Culvert. On January 10th, 2007 COMRIF announced that they would contribute 2/3 funding for rehabilitation of the Baldwin Avenue Culvert for eligible costs up to $433,000.

This funding is contingent on compliance with certain requirements as stated in the funding agreement. The federal portion of the funding is contingent on a Federal Environmental Assessment (EA) in addition to any provincial or municipal class EAs which may already have been completed. In order to complete these requirements, a competitive bid process is required to hire an external consultant.

Relationship to Vaughan Vision 2007

This report is consistent with the priorities previously set by Council specifically Vaughan Vision 2.3.2 Enhance Non-Tax Revenue – Evaluate/increase grants and subsidies from external agencies.

…/2

Conclusion

In order to start preparing information required under the COMRIF funding agreement (environmental assessments, communications) it would be appropriate to pre-approve this 2007 capital budget request.

Should Council concur with the proposed pre-budget approval request, this action would be considered an adoption in part of the 2007 Capital Budget. Pursuant to the Municipal Act, a municipality shall give notice of its intention to adopt a budget at a Council meeting. As this project is time sensitive and as the project application was approved by Council in 2006, the inclusion of the matter on a staff report requesting pre-budget approval in part of the 2007 Capital Budget on a public committee or Council agenda is deemed sufficient notice pursuant to Section 2 (1)(c) of By-Law 394-2002. Therefore, no additional notice period is required.

Report prepared by:

Marjorie Johnson, CGA
Manager of Capital Ext. 8984

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 12, 2007

Item 5, Report No. 1, of the Budget Committee, which was considered by the Council of the City of Vaughan on February 12, 2007, was dealt with by approving:

That this matter be referred to staff to prepare a report that addresses the dual needs of broad public consultation/education and statistically relevant data;

That the report include options for Council's consideration; and

That the report be submitted for consideration to the Committee of the Whole meeting of February 19, 2007.

5 STRATEGIC PLANNING VAUGHAN VISION REVIEW CITIZEN SURVEY

The Budget Committee recommends approval of the recommendation contained in the following report of the Senior Manager of Strategic Planning, dated February 6, 2007:

Recommendation

The Senior Manager of Strategic Planning in consultation with the City Manager, recommends:

1) That the City Manager's Office obtain pre-budget approval to proceed with coordinating the implementation of a strategic plan Vaughan Vision review citizen survey.

2) That an on-line survey allowing the participation of all Vaughan households be the method which is implemented.

Economic Impact

The cost to implement the strategic plan citizen survey will be approximately $30,000.

Purpose

To obtain pre-budget approval for proceeding with the implementation of a strategic plan citizen survey as approved by the Strategic Planning Committee at it's meeting on January 23, 2007.

Background - Analysis and Options

On January 23, 2007 a report was tabled at the Strategic Planning Committee meeting entitled "Vaughan Strategic Planning Public/Staff Involvement Process". It outlined a process for involving the public in the review of the Vaughan Vision 2007 including focus groups, public meetings, and written feedback. Discussion at the meeting focused on implementing a survey of Vaughan citizens in addition to the above noted mechanisms. As a result, a recommendation approved at the meeting was for staff to provide the cost implications of utilizing a scientific survey.

At the January 29, 2007Council meeting on staff provided a memo outlining the approximate cost of $30,000 to implement the survey. The options range from developing an on-line internet survey to a random sample telephone survey. It is proposed that the internet survey be administered by inviting all Vaughan households to participate in filling out a survey with the anticipated response rate of 10% (or 7,000 out of a possible 70,000 households). The random telephone survey would involve a ten to fifteen minute telephone survey of 800 residents in which the results would be statistically significant for the broader Vaughan population.

It is recommended that an on-line internet survey be completed in order to allow for all Vaughan households to participate in the Vaughan Vision review. Additionally, a mail in survey option will be available for those residents who are unable to complete the survey on the internet. The results of the survey will be incorporated into the Council/SMT workshop planned for April 2007 thus the request for pre-budget approval.

Relationship to Vaughan Vision 2007

This report outlines a key mechanism for gathering stakeholder feedback as part of the Vaughan Vision 2007 review.

Conclusion

Proceeding with implementing a strategic plan survey will be an integral part of the Vaughan Vision 2007 review and provide a mechanism to gather citizen input into the review process.

Attachments

There are no attachments

Report prepared by:

Thomas Plant MBA, MPA
Senior Manager of Strategic Planning

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 12, 2007

Item 6, Report No. 1, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 12, 2007.

6 CORPORATE BUSINESS PLANNING AND PERFORMANCE MEASUREMENT PROCESS

The Budget Committee recommends:

1) **That the recommendation contained in the following report of the Senior Manager of Strategic Planning, dated February 6, 2007, be approved; and**

2) **That the presentation by the Senior Manager of Strategic Planning and presentation material submitted entitled, "2007 Departmental Business Plan Summary", dated February 2007, be received.**

Recommendation

The Senior Manager of Strategic Planning in consultation with the City Manager and the Senior Management Team, recommends:

1) That Attachment 1. 2005-2007 Corporate Business Planning/Performance Measurement Process be received.

2) That Attachment 2. 2007 Departmental Business Plans be received.

3) That Attachment 3. 2007 Departmental Business Planning Summary presentation be received.

Economic Impact

There is no economic impact.

Purpose

To provide a review of the business plans submitted by key City departments as part of the 2007 budgeting process. In this way Council will be able to obtain evidence-based information which demonstrates the efficiency and effectiveness of key City services as well as the details of departmental work plans and key performance indicators.

Background - Analysis and Options

On September 28, 2005 a presentation was made to the Budget Committee on the performance measures completed in Phase 1 of the Corporate Business Planning/Performance Measurement process (Attachment 1). These measures included key tax supported services such as roads maintenance and winter control, library, enforcement services, business licensing, recreation programming, recreation facilities, parks, and fire services and represented 55% of the City operating budget. The approach taken for the development of the performance measures was to focus on internal service performance tracking over time. This Vaughan vs. Vaughan approach was decided to be a better comparison than external benchmarking due to the difficulty of measuring similar business processes in surrounding municipalities. Further, the measures which were developed demonstrated the efficiency and effectiveness of business operations and provided information on departmental productivity.

The results of the Phase 1 performance measures indicated that there was a demonstrable improvement in efficiency and productivity in a number of key tax supported services over the previous years. As well, evidence suggested that staff productivity was absorbing the increasing work volumes.

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A request was made at the 2005 committee meeting that a Corporate report be developed which would outline all of the steps involved in developing a business planning model in the Corporation. In particular, it was felt that this information would be useful for Council as part of its 2007 budget deliberations. Subsequently, this Corporate report was tabled at the Budget Committee meeting in June 2006.

For Phase 2 of the Corporate Business Planning/Performance Measurement process, business plans were developed in all key City departments as part of the 2007 budget process (Attachment 2). These departments represented 88% of the City operating budget, including those services that were measured in Phase 1. Phase 3 will commence in October 2007, as part of the 2008 budget process with business plans being developed for all other services including: Legal, Purchasing, Fleet, Parks Development, Water and Waste Water, Audit, Strategic Planning and Corporate Policy.

The results from Phase 2 of the Corporate Business Planning/Performance Measurement process are presented in Attachment 3. These results indicate that there is demonstrable efficiency and productivity in key City services with staff productivity continuing to absorb the increasing work volume. Further, services measured in Phase 1 continue to demonstrate efficiency and productivity. As well, there was an identified work backlog in the Forestry, Records Management, Engineering Traffic Services, Building Standards, Licensing, Information Technology Management and Enforcement Services service areas. Additionally, the performance measures developed in Phase 2 are considered to be good measures which can be further expanded over time.

Relationship to Vaughan Vision 2007

This report is consistent with the priorities previously set by Council and outlines a key mechanism through implementation of a business planning process to align departmental business goals with the Vaughan Vision 2007.

Conclusion

The departmental business planning summary outlined in this report provides evidence-based information which demonstrates the efficiency and effectiveness of key City services as well as details of work plans and key performance indicators. The results indicate that there is demonstrable efficiency and productivity in City services.

Attachments

1. 2005-2007 Corporate Business Planning/Performance Measurement Process
2. 2007 Departmental Business Plans will be distributed at the meeting
3. 2007 Departmental Business Planning Summary presentation will be distributed at the meeting

Report prepared by:

Thomas Plant MBA, MPA
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 FEBRUARY 12, 2007

Item 7, Report No. 1, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 12, 2007.

7 **COUNCIL BUDGET**

The Budget Committee recommends:

1) That this matter be deferred for full consideration of the comments expressed by Members of Council, including the per resident amount in the equalization formula calculation; and

2) That the City Manager provide a report on the discrepancies between the population figures provided in the ward boundary review and the estimated population figures provided as at December 31, 2006.

Recommendation

The City Clerk recommends:

1) That Council select the preferred option to be used for the 2007 Mayor, Regional Councillors and individual Ward Councillors budgets; and

2) That Council receive the 2007 draft Council Corporate budget.

Economic Impact

The economic impact will depend on the option selected.

Purpose

To present the 2007 draft Corporate Council budget for consideration and provide options for consideration with respect to the Mayor, Regional Councillors and individual Ward Councillors budgets.

Background - Analysis and Options

Up to and including 2002, the budgets of members of Council were similar in that the Local (Ward) Councillors had the same budgets, and the Regional Councillors had the same, although larger budget than the Local (Ward) Councillors. The Mayor's budget was greater as was appropriate.

Over the years the variances in ward population increased and in 2002 a need was recognized to devise a formula to equalize funding for Local (Ward) Councillors to provide a more consistent level of service for constituents.

On February 10, 2003 Council approved and implemented an equalization formula (refer to the Council Extract - Attachment #1). Consequently the formula was applied and implemented commencing with the 2003 budget. At that time the formula was applied to the 2002 base budget. The budgets of the Local (Ward) Councillors were adjusted in accordance with the formula.

In subsequent years, the equalized bases became the bases upon which the formula was applied. This was done so that no budget would be less in any ensuing year. Last term, Council approved new ward boundaries to better equalize the ward populations and also directed that a further review be undertaken prior to the next election in 2009 (now 2010) (refer to the Council Extract - Attachment #2).

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The new ward boundaries are now in place and the estimated populations as at December 31, 2006 are:

Ward 1		46,158
Ward 2		55,669
Ward 3		47,911
Ward 4		54,917
Ward 5		45,829
	Total	250,484

As a result of the new ward boundaries, the ward populations are now fairly equitable. If the current methodology of using the 2006 lowest Ward Councillor budget as the base is applied, the end result would be that a smaller ward will receive more funding than larger wards when the equalization formula is factored in.

In order to address this, an option being proposed is the establishment of a *new* base calculated by averaging the total 2006 Ward Councillors budgets. The equalization formula could be applied if Council desires.

The following options are being provided for Council's consideration:

Option 1

It is suggested that the *new* base be calculated based on the average budgets of the Ward Councillors for 2006 (total Ward Councillors budgets divided by 5 which equals $110,086). The Mayor's budget would remain the same as 2006 ($226,834) and the Regional Councillors budgets would remain the same as 2006 ($144,905).

Under this option the proposed 2007 budget for Mayor, Regional Councillors and Ward Councillors would be:

Mayor	- -	$226,834
Regional Councillors	-	$144,905
Ward Councillors	-	$110,086

Option 2

Applying the equalization formula using the *new* base (total Ward Councillors budgets divided by 5 which equals $110,086)

Step 1
Average ward size (estimated population at December 31,2006 - 250,484/5) = 50,097

Step 2
Number of residents above the average:

Ward 1	46,158
Ward 2	55,669 minus 50,097 = 5,572
Ward 3	47,911
Ward 4	54,917 minus 50,097 = 4,820
Ward 5	45,829

Step 3
Ward Councillors Budget discretionary costs:
Budget minus (remuneration + incidental expenses + benefits + Council Corporate copier)
$110,086 minus ($66,090 +2,400 +16,525 + 1,200)

$110,086 – 86,215 = 23,871

Step 4
Discretionary costs divided by ward average

$23,871/50,097 = 0.48 per resident

Step 5
Funding equalization for Ward Councillors:

Ward 2 – 5,572 x 0.48 = $2,675
Ward 4 – 4,820 x 0.48 = $2,314

Step 6
Equalization for Mayor and Regional Councillors
(Ward Councillors Budget Discretionary Costs x 5) + funding equalization for Wards 2 and 4) /4

($23,871 x 5) + 4,989 / 4 minus $23,871= $7,215

Under this option the proposed 2007 budget for Mayor, Regional Councillors and Ward Councillors would be:

Mayor ($226,834 + 7,215)	=	$234,049
Regional Councillor ($144,905 + 7,215)	=	$152,120
Ward 1 Councillor	=	$110,086
Ward 2 Councillor (110,086 + 2,675)	=	$112,761
Ward 3 Councillor	=	$110,086
Ward 4 Councillor (110,086+2,315)	=	$112,400
Ward 5 Councillor	=	$110,086

Option 3

Using the existing methodology (lowest 2006 Ward Councillor budget as the base).

Step 1
Average ward size (estimated population at December 31,2006 - 250,484/5) = 50,097

Step 2
Number of residents above the average:

Ward 1	46,158
Ward 2	55,669 minus 50,097 = 5,572
Ward 3	47,911
Ward 4	54,917 minus 50,097 = 4,820
Ward 5	45,829

Step 3
Ward Councillors Budget discretionary costs:

2006 Lowest Ward Councillor base budget = $98,290

Budget minus (remuneration + incidental expenses + benefits + Council Corporate copier)
$98,290 minus ($66,090 +2,400 +16,525 + 1,200)

$98,290 – 86,215 = 12,075

Step 4
Discretionary costs divided by ward average

$12,075/50,097 = 0.25 per resident

Step 5
Funding equalization for Ward Councillors:

Ward 2 – 5,572 x 0.25 = $1,393
Ward 4 – 4,820 x 0.25 = $1,205

Step 6
Equalization for Mayor and Regional Councillors
(Ward Councillors Budget Discretionary Costs x 5) + funding equalization for Wards 2 and 4) /4

($12,075 x 5) + 2,598 / 4 minus 12,075 = $3,670

Under this option the proposed 2007 budget for Mayor, Regional Councillors and Ward Councillors would be:

Mayor ($226,834 + 3,670)	=	$230,504
Regional Councillor ($144,905 + 3,670)	=	$148,575
Ward 1 Councillor.	=	$135,656
Ward 2 Councillor ($109,711 + 1,393)	=	$111,104
Ward 3 Councillor	=	$ 98,290
Ward 4 Councillor ($108,483 + 1,205)	=	$109,688
Ward 5 Councillor	=	$ 98,290

The following table summarizes the three options provided versus the 2006 budgets for comparison purposes:

Ward Population	**Position**	**Option 1 Budget ($)**	**Option 2 Budget ($)**	**Option 3 Budget ($)**	**2006 Budget ($)**
	Mayor	226,834	234,049	230,504	226,834
	Regional Councillor	144,905	152,120	148,575	144,905
46,158	Councillor Ward 1	110,086	110,086	135,656	135,656
55,669	Councillor Ward 2	110,086	112,761	111,104	109,711
47,911	Councillor Ward 3	110,086	110,086	98,290	98,290
54,917	Councillor Ward 4	110,086	112,400	109,688	108,483
45,829	Councillor Ward 5	110,086	110,086	98,290	98,290
Total Population 250,484	**Total Budget**	**922,169**	**941,588**	**932,107**	**922,169**

Council Corporate Budget

The Council Corporate base budget for 2007 is the same as 2006. Certain line items were adjusted as necessary following a review of the expenses incurred in 2006.

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

Three options have been provided for Council's consideration. Option 1 establishes a new base that has been calculated by averaging the total Ward Councillors 2006 budget. Option 2 uses the new base plus the application of the equalization formula. Option 3 uses the current methodology i.e. using the 2006 lowest Ward Councillor budget as the base plus the application of the equalization formula.

Staff is requesting Council select the preferred option to be used for the Mayor and Councillors 2007 budgets.

Attachments

Attachment #1 – Council Extract – Item 4, Report No. 90 Special CW (Budget) adopted February 10, 2003
Attachment #2 – Council Extract – Item 1, Report No. 21, Special CW (Working Session) adopted April 11, 2005
Attachment #3 - Draft 2007 Council Corporate Budget

Report prepared by:

John D. Leach, City Clerk
Sybil Fernandes, Manager of Administrative Services/Deputy City Clerk, Ext.8628

(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 12, 2007

Item 8, Report No. 1, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 12, 2007.

8 2007 DRAFT OPERATING BUDGET

The Budget Committee recommends:

1) **That staff bring forward a resolution to the next Committee of the Whole meeting stating the City of Vaughan's intention to continue the City of Vaughan's property tax reduction for qualifying seniors currently at $250.00 and indexed; and**

   That the Region of York and the Province of Ontario be requested to consider a similar reduction for the Region's and the School Boards portion of the property tax;

2) **That staff review opportunities for increased use of debenturing for capital programs to assist in the reduction of operating costs;**

3) **That the following additional information be provided:**

   a) **details regarding the $0.2m expenditure for "Recreation – YRT Ticket Pass Purchases";**
   b) **details regarding the $10.9m expenditure referenced as "All Other";**
   c) **a breakdown by department of the $330,650 expense for Advertising;**
   d) **a breakdown of the $969,420 expense for Computer Hardware/Software;**

4) **That the report of the City Manager, the Commissioner of Finance and Corporate Services, the Senior Management Team and the Acting Director of Budgeting and Financial Planning, dated February 6, 2007 be received; and**

5) **That the presentation by the Commissioner of Finance and Corporate Services and presentation material submitted entitled, "Draft 2007 Operating Budget", dated February 6, 2007, be received.**

Recommendation

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

That the following report on the 2007 Draft Operating Budget be received for information and discussion purposes.

Economic Impact

The attached 2007 Draft Operating Budget reflects the results of departments following the budget guidelines approved by the Budget Committee and the City Manager and the Senior Management Team reviewing additional resource requests. The impact of the submissions based on the guidelines and the review of the additional requests is presented in the following report.

Purpose

To inform the Budget Committee as to the budget process followed, the result of that process, provide commentary on the issues and obtain input.

Background - Analysis and Options

2007 Budget Process
Designed to Maintain Service Levels with Minimum Impact on Taxes

The City of Vaughan continues to be subject to the many factors that put significant pressure on the property tax rate. Inherent in the annual operating budget process are the normal pressures of inflation, growth, staffing resources, external contract costs, collective agreements, fluctuating revenues etc., which are further compounded by expanding service requirements and tax funded infrastructure renewal cost impacts experienced by a high growth municipality. The impact of these pressures is often permanent and therefore require permanent funding solutions to ensure public services are sustainable in the future. The above situation presents significant challenges to achieving a balanced budget while minimizing associated tax rate increases and achieving Councils priorities.

Recognizing the continuation of budgetary challenges, the budget process and guidelines were further refined to incorporate a more comprehensive base budget review. This was accomplished through a combination of the following:

1. Strict budget guidelines to limit cost increases
2. Separate review process to assess additional resource requests
3. The incorporation of business planning & associated service reviews
4. Expanded use of Performance Measures

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

1. Strict 2007 Budget Guidelines to Limit Cost Increases

Strict Operating Budget guidelines were established by the Budget Committee to minimize the budgetary impact on the tax rate for 2007. These guidelines included freezing most account lines to 2006 levels with the exception of the following:

- Salary and benefits relating to previously approved employment agreements.
- Principal and Interest payments required to repay long-term debt
- Full year impacts of previously opened new facilities
- External contract price and volume increases
- Insurance impacts
- Utilities Increases

In addition to the above expenditure constraints, instructions were also provided that user fee rates are expected to increase if departmental costs for the service provided were increasing. These user fee instructions combined with the above expenditure limitations were designed to minimize the tax rate increase.

As part of the 2007 budget process, staff undertook an analysis of the operating budget to assess efficiency and ensure conformity with approved operating guidelines. Staff approached this task by analyzing major department increases, specific expenditure types, department user fee recovery ratios, and overall budget reasonability. In addition, the performance measurement exercise initiated last year as part of the budget process has been expanded. It is discussed more under Number 4 below.

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2. Separate Review Process to Assess Additional Resource Requests

Recognizing that freezing account lines for an extended period of time may potentially prevent departments from maintaining service levels or restrict the efficient operation of a department, the above guidelines were complimented by a process that allowed departments to formally submit requests for essential resources not permitted within the guidelines. Senior Management and/or Council consideration/approval is required with respect to the additional requests. Council approval is specifically required when, new staff resources are requested, there is a change in service levels or new initiatives are brought forward. These requests are not included in the Draft 2007 Base Operating Budget. They are identified separately. The 2007 operating budget is presented as a series of building blocks as follows.

Infrastructure Funding Strategy

New Initiatives/Enhanced Service Levels

Regulatory Requirements

Maintain Existing Service Levels

City Base Budget under the Guidelines

Vaughan Public Library Board

- Additional Resource Requests – Special or unique requirements not accommodated within existing guidelines requiring SMT and/or Council review and approval. Some requests were not approved. The additional resource requests are divided into the following subcategories:
    - Infrastructure Funding Strategy
    - New Initiatives/Enhanced Service levels
    - Regulatory Requirements
    - Maintaining Service Levels
- Base Budget - Budget submissions based on approved guidelines

Senior Management have since reviewed and prioritized all additional resource requests and a recommendation for budget committee consideration is outlined in another section of this report.

3. The Incorporation of Business Planning & Associated Service Reviews

New to the Operating Budget process is the inclusion of Business Plans as required departmental submissions. The 2005–2007 Corporate Business Planning Process complements the Operating Budget process by providing comprehensive department information on work plans, goals, and key performance indicators. In addition, linking Business Plans to the Operating Budget provides a framework to assess and demonstrate the efficiency and effectiveness of business operations and can assist stakeholders, SMT, and Council analyze and evaluate the feasibility of departmental budget increases and base budgets during budget deliberations.

4. Expanded Use of Performance Measures

Prior to assigning additional resources or recommending any increase in user fees or property taxes it is important to determine if the resources currently assigned are being utilized efficiently. In early 2005 staff initiated work to formally incorporate performance measurers into the budgeting process. The purpose was to over time build objective comparative data that could be used to assist in evaluating the efficiency of various operations within the City. As part of the 2007 budget process the list of services providing performance measures was expanded.

The results of the performance measurement program are discussed in a separate report which forms part of today's agenda.

Quick Facts

The following information is provided for quick reference to assist in providing Budget Committee members with a context within which to assess the budget.

Average residential assessment	$412,000
Total 2006 Taxes levied on the average assessed home	$4,044
City of Vaughan portion (25%)	$1,007
Reduction for qualifying seniors	$250
A 1% increase in the tax rate equals	$1,014,037
Impact of a 1% increase on the average home	$10
Assessment Growth	3.4

2007 Base Budget Under the Guidelines

Based only on the budget guidelines the City's Draft Operating Budget is approximately $175.0M and reflects a $4.0m funding increase over 2006. This equates to a 3.9% tax rate increase **excluding** the budget impact of Senior Management's recommended additional resource requests and the Committee's decision with respect to an infrastructure funding strategy. The draft 2007 Operating Budget includes an anticipated $2.5m surplus carried forward from 2006 and includes $2.2m from the Tax Rate Stabilization Reserve. This recommendation is consistent with the prior year staff recommendation. To assist the Budget Committee in assessing the Base Operating Budget and the 3.9% tax rate increase resulting from the budget guidelines, the following summary is provided.

Allowable Department Expenditure Increases	Avg. $ Impact.	Tax Rate Impact
Salary and benefit increase	$2.2m	
Service contact price and volume increases	$1.7m	
Utilities price and volume increases	$0.6m	
Recoveries and other expenditures	$0.1m	
Total Department Expenditures Increase	$4.6m	
Less: Increase in fees & service charges	$1.8m	
Net Department Impact	$2.8m	2.8%
Contingency	$2.5m	2.4%
Long Term Debt	$1.0m	1.0%
Tax rate stabilization reduction	$2.1m	2.0%
Other	($0.9m)	(0.9%)
Net Impact	$7.5m	7.3%
Less: Assessment Growth	$3.5m	3.4%
Total (Includes provisions for labour negotiations	$4.0m	3.9%

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, budget submissions were verified to ensure that there were no other increases or that any budgetary increases were offset by corresponding decreases in other line items. Through budget staff review of submissions and assurances from Commissioners and Directors, we have a very high level of confidence that approved guidelines are being followed. The Budget Guidelines were designed to limit expenditure increases and this exercise has been successful as demonstrated by a total department expenditures increase of only 3.13%.

Base Budget Revenue Review

Overall revenues decreased $126,705 from 2006 levels, excluding assessment growth. The primary factors contributing to decline in revenue are as follows.

- The largest reduction in revenue is related to the rolling back of tax rate stabilization funding to the level recommended in 2006. The impact is a reduction from $4.3m to $2.2m. A reduction of $2.1m is necessary to prevent a reliance on unsustainable funding and retain the reserve balance for extraordinary circumstances.

- Some of the departments submitted revenue projections below 2006 budget levels. The most notable is a $400k reduction in Enforcement Services revenue and a $178K reduction in Fire and Rescue Services revenue, both of which are department budget adjustments to reflect volume decreases.

The above revenue reductions were almost entirely offset by gains experienced in Planning, Recreation, and Corporate revenue. Further details on these increases are illustrated below.

- The most notable increase in revenues is the $1.1m increase in planning revenues resulting from returning volumes and Council's direction with respect to cost recovery in the planning process. The additional budgeted revenue will improve the cost recovery ratio increasing it from 74% to 94%, based on 2007 draft budget figures. Staff are preparing a further report to refine the planning fees by type of planning application.

- Budgeted revenue gains were also experienced in the Recreation Department resulting from continued implementation of Recreation & Cultural User Fee & Pricing Policy. Overall revenues have increased $1m, which are met with corresponding department expense increases of $600k, excluding the impact associated with ongoing Labour negotiations. Although the Recreation Department cost recovery ratio has marginally improved, further effort to increase fees and/or reduce costs will be required to achieve 100% cost recovery of direct costs.

- Property Tax fines and penalties increased approximately $500K to keep in line with the growing tax base and to better reflect historical trends.

A concern that revenue might not keep pace was anticipated and as a result, as part of the guidelines, As a result of the departmental submissions not adequately addressing user fees, departments were subsequently directed to increase all user fees by an amount equal to inflation. The only exception to this are user fees that are currently part of a separate user fee study (i.e. Planning fees, building permit fees, recreation fees) or instances where a department recommends that a fee should not be increased and provides a rationale. For expediency purposes, the 2007 Draft Operating Budget contains a general $100k provision for anticipated fee changes, which will be reallocated to departments once fee/service charge changes are submitted.

It is important to recognize, there is an ongoing balance between funding through a user 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

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delivering the service, otherwise by default there is a requirement to raise the property tax rate.

Base Budget Expenditure Review

Total expenditures increased $7.4m from 2006 levels. A significant portion of the above increase is associated with labour costs as per recognized agreements (i.e. economic adjustments, progressions for new hires, job evaluation, and benefits impacts). The next major expenditure increase is due to contracted services. These increases are typically the result of increasing demands on public provided services due to volume growth and contractual or industry price increases, and the full year implementation of the green bin organic collection program which contributed $915K to the overall increase in contracted services. Finally the repayment of long term debt increased $1m. Debt has previously been issued primarily to fund major roads projects. It is evident that the $3.5m in assessment growth is insufficient to fully offset these costs.

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

Operating Expenditures	2007 Draft Budget	Budget %	Cumulative %
Salaries and Benefits	$95.3m	54.5%	54.5%
Contracted Services	$20.8m	11.9%	66.3%
Reserve Contributions	$11.8m	6.7%	73.1%
Maintenance/Materials	$8.6m	4.9%	78.0%
Capital from taxation	$6.5m	3.7%	81.8%
Utilities	$5.9m	3.4%	85.1%
Long Term Debt	$5.8m	3.3%	88.4%
Contingency	$3.0m	1.7%	90.2%
Insurance	$2.2m	1.3%	91.4%
Professional fees	$1.6m	1.0%	92.4%
Tax Write-Offs	$1.3m	0.7%	93.1%
Vaughan Hockey Subsidy	$1.1m	0.6%	93.7%
All Other	$11m	6.3%	100%
Total Draft 2007 Expenditures	$175m	100.0%	100.0%

The above summary illustrates that the City has limited flexibility in any given year to significantly alter the City's cost structure. Many of the costs are committed through collective agreements or service contracts. Other reductions will impact the maintenance and repair of the City's infrastructure. The following summary of specific expense lines illustrates that many of the discretionary expense lines are decreasing and not increasing.

Account	2007 Draft Budget	2006 Budget	Variance
Advertising	330,650	326,195	4,455
Comp. Hardware/Software	969,420	994,070	(24,650)
Cellular	203,425	181,835	21,590
Office Equipment	180,410	230,005	(49,595)
Office Supplies	323,465	350,730	(27,265)
Overtime	897,165	993,160	(95,995)
Training & Development	422,160	422,945	(785)
Corporate Training	49,790	49,790	----
Professional fees	1, 637,415	1,702,450	(65,035)
Part-time	11,335,870	11,067,360	268,510
Total	16,349,770	16,318,540	31,230

With the exception of advertising, cellular and part-time all other account lines are below 2006 Budget levels. The increase in part-time is primarily attributed to 2 factors, increases in recreation programs that are offset by revenue and part-time compensation adjustments as per existing agreements. The increase in advertising and cellular account lines is the result of a reallocation of funds from other expense accounts to more accurately align budgets with actual results. As illustrated by the above table, the net 2007 impact associated with these accounts is an increase of $31,230 over the prior year.

In addition to the above information, additional budget analysis and information is provided in the enclosed attachments.

Attachment 1 - 2007 Base Budget under the budget guidelines
Attachment 2 - More detailed analysis of expenditures
Attachment 3 - FTE Schedule, excludes new complement requests which are identified separately for Committee consideration

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

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 above guidelines for Senior Management and/or Council further consideration. A business case and/or justification memo were required for all requests and submitted as one of the following classifications.

- New Compliment Requests
- Request for Increases in Expenses Other Than Allowable under the Guidelines
- New Initiatives/Service Level Adjustments
  (Request may include associated new complement requests)

As a result, Departments submitted 77 additional resource requests with a total annual cost of approximately $4.4 million, which translates into an additional tax rate increase of approximately 4.4%.

Recognizing the challenge of balancing requests for additional resources with limited funding options, SMT initiated a process in which to prioritize and review additional resource requests. The process infuses a high degree of objectivity & transparency and the end result of this process is a recommended listing of additional resource requests prioritized based on a blend of associated municipal risk and the Vaughan Vision goals and objectives. Senior Management has now reviewed all additional resource requests and the resulting recommendations are summarized for the Budget Committee in Attachment 4 of this report. A summary of the results is provided below for Budget Committee's information.

	Departmental Requests	SMT Recommended	Net Reduction
New Initiatives/Enhanced Service Levels	$1.5m	$0.6m	$0.9m
Regulatory Requirements	$0.6m	$0.6m	----
Maintain Service Levels	$2.3m	$0.7m	$1.6m
Total	$4.1m	$1.9m	$2.5m

The above figures represent annual costs, which will be adjusted for new complement gapping. However it should be noted, that although gapping impacts the 2007 Budget favourably, the balance of the costs will impact the 2008 budget.

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Business Planning

As previously indicated, Business Plans are incorporated in the 2007 Budget Process to help establish and reinforce connections between strategic priorities and resource allocation, thus moving the organization closer to realizing Vaughan's Vision and strategic goals. Department Business Plans provide stakeholders with an overview of the department's goals, strategic priorities, as well as demonstrated efficiency and effectiveness through the use of performance measures. This information compliments the Budget Process and can assist in evaluating base budgets and analyzing the feasibility of departmental budget increases and resource allocation. More details with respect to the Business Plans is provided in a separate report on this agenda.

Long-Range Financial Planning

On March 20th 2006, staff presented Council with a report on Long-Range Financial Planning. The purpose of this report was to provide Council with an overview of the current Long-Range Financial Planning process and outcomes. The prevailing theme throughout the Long-Range Financial Planning study was that infrastructure repair and replacement is of a paramount concern and Vaughan is currently experiencing the following:

- Significant new infrastructure is being built/assumed annually
- Infrastructure is aging
- Infrastructure spending requirements are significantly under funded
- Infrastructure reserve balances and funding levels will not sustain requirements
- Long-term debt requirements will rise

Over the past two decades the City of Vaughan has grown at an unparalleled pace, adding new facilities, parks, and transportation networks on an annual basis. Vaughan is now entering an era where these assets require significant investment to ensure they are maintained in an acceptable state of repair. This is evident by the recent increase in capital funding requests. As Vaughan ages and continues to transition from a rapidly growing Township to a thriving mature City, infrastructure repair and replacement requirements will begin to accumulate at a pace similar to that when they were constructed. Without further infrastructure investment, Vaughan's infrastructure network will deteriorate potentially compromising community health, safety, and service levels. The condition and state of municipal infrastructure is an important factor in assessing a Community's overall quality of life and economic health. Consequently, it is critical to understand that there is a great need and benefit for further infrastructure investment in order to protect, sustain, and maximize the use of Vaughan's infrastructure assets.

Infrastructure Funding Strategy

Given the significance and magnitude of the trends and outcomes previously presented, it is recommended and financial responsible for Vaughan to institute a systematic plan to address existing and future infrastructure spending requirements, based on when infrastructure exceeds their life cycle. However, as a result of the shear size of the investment required it is suggested the Infrastructure funding strategy initially focus on addressing immediate infrastructure spending requirements and then refocus efforts towards building infrastructure reserves in order to meet and smooth future requirements. It was determined that a 4-part plan is best suited for the challenge and consists of the following:

1. Advocating for assistance from other levels of government
2. Rethink infrastructure placement and replacement
3. Controlled infrastructure reserve spending
4. Increasing infrastructure funding

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Advocate Assistance from Other Levels of Government

Infrastructure renewal has become a common topic in the media and Provincial and Federal governments are beginning to recognize its importance. The Federal and Provincial government's recent willingness to share a portion of the gas tax demonstrates this fact. Although appreciated by Municipalities, the gas tax funding is dedicated to new environmentally sustainable projects and will only marginally assist in the formulation of a complete infrastructure funding strategy. As part of the overall plan, it is necessary that other levels of government assist with funding for infrastructure repair and replacement.

Rethink Infrastructure Placement and Replacement

Since it is evident that funding infrastructure repair and replacement is a significant challenge, it is necessary to rethink the way in which new infrastructure is recommended and in the way that existing infrastructure is eventually replaced. This will potentially reduce the forecasted financial burden that the Municipality is currently facing. Therefore, the City should undertake a review of infrastructure placement and replacement in an effort to provide the same functionality at a more affordable replacement, repair, and maintenance spending level. This may require a need to reexamine infrastructure service levels and consider alternative infrastructure choices.

Controlled Reserve Spending

As a result of the Long-Range Financial Planning policies established in 1996, the Municipality is in a stronger financial position and discretionary reserve balances have improved considerably and are now slightly exceeding the discretionary reserve ratio policy target. Achieving this target required fiscal management and a dedicated focus on building reserve balances. Currently, approximately 30% of the discretionary reserve balance consists of infrastructure reserves. Now that the established target has been maintained and exceeded, infrastructure reserves can begin to fund infrastructure spending requirements to the extent the approved discretionary reserve ratio is maintained and cognizant of other existing and future reserve considerations. This amount will be determined on an annual basis and it is recommended that it be dedicated to reducing the existing infrastructure backlog. There will be more discussion on this as part of the Capital budget process.

Increasing Infrastructure Funding Options

The largest part and most financially significant component of the funding strategy lie in increasing the City's infrastructure funding effort. This poses a complicated challenge as the initial requirements are overwhelming and will prove challenging to overcome immediately. Recognizing this situation, Finance staff undertook an evaluation of different options to begin addressing the infrastructure funding shortfall. The following options were presented to Council:

1. Fund now through tax increases based on life cycle costing
2. Fund over time through fixed annual increases
3. Fund all incremental infrastructure spending requirements through long-term debt
4. Hybrid – fixed tax increases, LTD, and reduced infrastructure spending requirements

It is important to reiterate that any tax rate increases associated with the above options are in addition to normal Operating Budget requirements and focus solely on infrastructure spending requirements. In addition, the above options exclude annual debenture funding requirement associated with the approved roads program as these requirements are established and the funding policy approved.

This important and complex topic will be more fully explored as a separate report and presentation at a future Budget Committee meeting.

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Budget Communication Strategy

With respect to the City's 2007 budget the objective of the communications strategy is twofold:

1. Educate and inform the public regarding City services, their cost, municipal issues and their relationship with property taxes; and

2. Obtain input and feedback from the public with respect to the range of services offered, service levels, priorities, etc.

Prior to the approval of the budget evening public consultation meetings will be held to obtain public input. Since the primary objective is to obtain public input the meeting will focus on listening rather than debating. The number of meetings and their location will be determined by Council. Once the dates, times and locations are confirmed public notification will be provided consistent with City policy. The specific format of the meetings has yet to be finalized.

The public input will be consolidated and taken into consideration when the final budget recommendations are presented to Council. Following Council approval of the budget the appropriate press releases will be distributed per the City's policy, key information will also be provided on the City's WEB site and the fact sheets will be provided to key stakeholders, Rate Payers Associations and the Chamber of Commerce.

Conclusion

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 departments. Resource requests over and above the guidelines were scrutinize by Senior Management and the City Manager. Only those determined essential have been put forward. The results of the process described above, including the budget request from the Vaughan Public Library is summarized below. What is not yet included is direction with respect to an infrastructure funding strategy.

BUILDING THE BUDGET

Infrastructure Funding Strategy Infrastructure repair & replacement requirements	**?**
New Initiatives/Enhanced Service Levels Additional Resource Request	**0.6%**
Regulatory Requirements Additional Resource Request	**0.6%**
Maintain Level of Service Additional Resource Requests	**0.7%**
City Base Budget under the Guidelines	**3.6%**
Vaughan Public Library Board	**0.3%**
Tax Rate Impact	**5.8%**

Relationship to Vaughan Vision 2007

The 2007 Draft Operating Budget is the process to allocate and approve the resources necessary to continue operations and implement Council's approved plans.

Attachments

Attachment 1 - 2007 Draft Operating Budget, based on the guidelines
Attachment 2 - Budget Expenditure Increase Analysis
Attachment 3 - FTE schedule
Attachment 4 - Additional Resource Requests Summary

Report prepared by:

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

John Henry, CMA, ext. 8348
Acting 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.)