CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 26, 2007

Item 1, Report No. 2, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 26, 2007.

1 USER FEE/SERVICE CHARGE REVIEW

The Budget Committee recommends approval of the recommendation contained in the following report of the City Manager, dated February 20, 2007:

Recommendation

The City Manager recommends:

That the increases in user fees and service charges outlined in Attachment 1 and have been incorporated into the Draft 2007 Operating Budget be received for information and input.

Economic Impact

The proposed economic impact will be $68,820.00. A general contingency was included in the original 2007 Draft Operating Budget presented on February 6th to account for anticipated user fee and service charge amendments.

Purpose

The purpose of this report is to provide the Budget Committee with information on proposed changes to user fees and service charges which have been included in the draft budget.

Background - Analysis and Options

Inherent in the 2007 Budget process is a continued emphasis on maximizing the cost recovered on services provided. In addition to adjusting revenues for anticipated changes in activity volume, departments were requested to increase user fees and service charges in relation to department cost increases.

As a result, all fees and charges were increased at minimum by a rate equivalent to inflation unless otherwise specified by departments charging the fee and with exception to fees & charges currently part of ongoing studies (e.g. planning, recreation, licensing, etc).

The budget impact associated with the above noted increases has not yet been included in departmental 2007 draft operating budgets, with exception for Council approved fee increases (i.e. Recreation). However, a general contingency has been provided for in the 2007 draft operating budget to account for anticipated user fee and service charge amendments. This balance will be reallocated to the appropriate departments prior to the public forums.

Enclosed in Attachment 1 are the department recommended amendments to the City's user fees and service charges for the Budget Committee's review. The explanations related to user fee/service charge amendments are provided by the respective Commissioner and Department.

Formal User Fee/Service Charge Studies

In addition the user fees in Attachment 1 there were a number of user fees based on detailed studies. Some user fees studies were as a result of legislative requirements and staff initiated a number of other in-depth studies. Detailed below is a brief synopsis of the user fee/service charge studies that have been performed:

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Formal User Fee/Service Charge Studies

Building Standards – Effective July 1, 2005, Bill 124 required that municipalities limit the charges for Ontario Building Code related fees to not exceed the cost of issuing a building permit. The legislation allowed for the inclusion of direct costs, indirect costs and the establishment of a reserve. Traditionally, building permit revenue was a large source of revenue and this revenue was used to subsidize the Planning Act portion of the development application approval process. CN Watson was retained to assist staff in the cost justification for building permit processing. This study was completed and the outcomes presented to Council.

Planning / Committee of Adjustment – As a result of the elimination of the cross subsidization of building permit revenue offsetting the costs of processing Planning Act and Committee of Adjustment fees, a review of the costs associated with these fees was undertaken. In conjunction with the costing exercise required for Bill 124, CN Watson was engaged to assist staff in the determination of total costs for the Planning Act and Committee of Adjustment fees. This study was completed and the outcomes presented to Council. As a result of this study, a subsequent study on individual planning fees by application type is currently in process and a report on those findings is anticipated in early 2007.

Licensing – The Municipal Act, brought into effect in 2003 required that licensing fees should not exceed the costs of providing the service. Legislation stipulated that the total amount of fees to be charged shall not exceed the costs directly related to the administration and enforcement of the by-law. CN Watson was retained to assist staff in the determination of costs based on the New Municipal Act. This study was completed and the outcome presented to Council.

Recreation – In 2005, Recreation staff retained the IBI Group to undertake a costing and pricing study and to prepare a user fee policy that would guide the City's annual fee schedule. On January 24, 2006, staff reported to Council on the results of the study and recommended a three year fee schedule with associated policies. Recreation fees were grouped into service categories with targeted recovery polices for each group. The overall goal is to achieve department cost-revenue neutrality.

Summary of User Fees Based on Studies

Below is a summary of the 2007 revenues associated with each of the above detailed studies.

User Fees Based on Studies	**Associated Revenues**	**% of Total**
Building Standards - Building Code Fees	$ 9,619,750	28%
Planning / COA Fees	5,045,600	14%
Licensing Fees	744,400	2%
Recreation Fees	14,812,995	43%
Total User Fees Based on Studies	**30,222,745**	
Total 2007 Draft Operating Budget Department User Fees	**34,811,175**	
% Associated With Studies	**87%**	

As indicated above, 87% of the 2007 Draft Operating Budget department user fees and service charges are based on detailed and extensive studies.

Relationship to Vaughan Vision 2007

This report is consistent with the priorities previously set by Council.

Conclusion

A user fee and service charge review has taken place and results are provided as Attachment #1.

Attachments

Attachment 1 – Proposed User Fee/Service Charge Amendments

(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 26, 2007

Item 2, Report No. 2, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 26, 2007.

2 **2007 DRAFT OPERATING BUDGET – ADDITIONAL INFORMATION**

The Budget Committee recommends:

1) That the following additional information be provided:

a) a detailed breakdown of "Grouped Expenses" expenditures;
b) justification for the $99,150 proposed budget for "Special Events/Public Relations";
c) a detailed breakdown of "Corporate Promotions" budget expenditures;
d) a detailed breakdown of advertising expenditures for "Mayor, Members of Council and Council Corporate";
e) a detailed breakdown of departmental advertising expenditures; and
f) a detailed breakdown of "Corporate Communications" advertising expenditures for the City Page and various other newspapers;

2) That staff provide a report on advertising options to a Committee of the Whole meeting as soon as possible;

3) That the Vaughan Public Library Board expenditures be reported separately; and

4) That the report of the Commissioner of Finance and Corporate Services and the Acting Director of Budgeting & Financial Planning, dated February 20, 2007, be received.

Recommendation

The Commissioner of Finance & Corporate Services and the Acting Director of Budgeting & Financial Planning recommends:

That the following report be received for information purposes.

Purpose

To provide the information requested by the Budget Committee on the 2007 Draft Operating Budget.

Background - Analysis and Options

At the February 6, 2007 Budget Committee meeting, staff was directed to report back on the following details of the 2007 Draft Operating Budget.

- Details regarding the $10.9 expenditure referenced as "All Other"
- A breakdown by Departments of the $330,000 expense for advertising
- A breakdown of the $969,420 expense for Computer Hardware/Software

As requested, the above information has been assimilated and enclosed for the Budget Committee's review are the following attachments.

- Attachment 1 - Identification of $10.9M "All Other" budgeted expenditures
- Attachment 2 - Advertising expense by department
- Attachment 3 - Computer Hardware/Software expense by department

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Relationship to Vaughan Vision 2007

The Operating Budget process is consistent with the priorities set by Council in Vaughan Vision 2007.

Conclusion

The purpose of this report is to address the query by the Budget Committee on the above listed detail in the Draft 2007 Operating Budget.

Attachments

Attachment 1 - Identification of $10.9M “All Other” budgeted expenditures
Attachment 2 - Advertising expense by department
Attachment 3 - Computer Hardware/Software expense by department

Report prepared by:

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.)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 26, 2007

Item 3, Report No. 2, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 26, 2007.

3 **2007 DRAFT OPERATING BUDGET – DETAILS SUPPORTING ADDITIONAL RESOURCES REQUESTS**

The Budget Committee recommends:

1) That the following report of the Commissioner of Finance & Corporate Services and the Acting Director of Budgeting & Financial Planning, dated February 20, 2007, be received; and

2) That staff implement an ongoing process concurrent with the budget process in order to provide Members of Council with the justification respecting new staff complement requests.

Recommendation

The Commissioner of Finance & Corporate Services and the Acting Director of Budgeting & Financial Planning recommends:

That the following report be received for information purposes and the additional requests be approved.

Purpose

To provide the schedules supporting the additional resource request summary submitted to the Budget Committee on the February 6th, as part of the Draft 2007 Operating Budget, for Budget Committee consideration and base budget inclusion.

Background

At the February 6, 2007 Budget Committee meeting, staff provided a summary of Senior Management's recommended Additional Resource Requests. As previously illustrated in the February 6th report, the operating budget guidelines were complimented by a process that allowed departments to formally submit requests for essential resources not permitted by the established operating budget guidelines for Senior Management and/or Council further consideration. 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.

The additional resource request submissions were grouped into the following categories;

- Maintaining Service Levels
- Regulatory Requirements
- New Initiatives/Enhanced Services

In addition to the summary information previously provided, all additional resource request submissions and supporting information (e.g. forms, business cases, justification memos, etc) are provided as Attachment 1. For the Budget Committee's convenience the additional resource request summary reflects each requests added value and link to Vaughan Vision objectives.

Relationship to Vaughan Vision 2007

The Operating Budget process is consistent with the priorities set by Council in Vaughan Vision 2007.

Conclusion

The purpose of this report is to provide the schedules and detail supporting the additional resource request summary submitted to the Budget Committee on the February 6th, as part of the Draft 2007 Operating Budget, for budget committee consideration and base budget inclusion. Not all requests submitted have been brought forward.

Attachments

Attachment 1 – Additional Resource Request Summary and Supporting Schedules

Report prepared by:

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.)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 26, 2007

Item 4, Report No. 2, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 26, 2007.

4 TASK FORCE ON DEMOCRATIC PARTICIPATION AND RENEWAL

The Budget Committee recommends that this matter be referred to the next Committee of the Whole (Working Session) meeting.

Recommendation

Councillor Tony Carella in consultation with Mr Steven Del Duca, Chair, *Go Vote Vaughan*, recommends that Council authorize the creation of a task force to address the issue of voter participation in municipal elections in the City of Vaughan, in order to determine;

(1) by means of a scientifically-rigorous poll and anecdotal reports of citizens submitted by a variety of means (including but not limited to on-line responses to a questionnaire available at the City's website) why citizens *do not* exercise their democratic right to vote;

(2) what opportunities, as suggested by experts in these matters or as demonstrated in other jurisdictions, may exist for increasing participation in municipal elections by current and future eligible voters;

(3) how such opportunities might best be realized in the context of the City of Vaughan, in order to increase voter participation in future municipal elections; such task force to be governed by the attached terms of reference and, with respect to "Panel 1" of the task force only, co-chaired by Councillor Carella and Mr. Del Duca;

(4) and further, that the costs of this initiative, as indicated immediately below, be paid from the Election Reserve.

Economic Impact:

The task force will require support from the Clerks Department, as well as funding for selected expenses: e.g., the cost of a poll of a sufficient number of citizens to ensure the accuracy of the findings; the cost of additions to the City's website (e.g., to permit on-line responses to a questionnaire inviting anecdotal reports by citizens of their views on why voter participation is less than what it might be, and what might be done to improve such turnout); and the cost of printing and distribution of hard copy versions of such questionnaires. The estimated costs of the foregoing is $15,000.00.

Currently, monies are set aside each year after an election to cover the cost of the next election. As the term of this council will run for four years, as opposed to three, it is reasonable to assume that the annual contribution to the reserve will be substantially reduced (e.g., if the annual contribution has been $133,333 per year, to generate a reserve of $400,000 by end of year three, contributions of only $100,000 will now be required, to create a reserve in the same amount). Thus, it is reasonable to conclude that the funding of this initiative from the Election Reserve will not place an undue burden on that source.

Purpose:

To renew democracy at the municipal level by increasing participation by those currentlyeligible to vote and by enhancing the likelihood of the active participation on the part of those citizens now aged fourteen to eighteen years of age who will be eligible to vote in the 2010 municipal election.

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Background - Analysis and Options:

Despite an increase in voter turnout between the 2003 and 2006 municipal elections in Vaughan, voter participation in all elections has been generally on the decline in recent decades, and as turnout in municipal elections is generally lower compared to provincial and federal elections, the impact of such decline is compounded at the city level.

This phenomenon has been the subject of considerable academic research over recent years, with a range of explanations being offered, including the view that low voter turnout correlates to low socio-economic status, an explanation which does not account for why turnout remains low in relatively prosperous communities such as Vaughan and Oakville. Another explanation goes to the supposed impact of campaign financing practices on the public's confidence in legislative bodies (see research by Professors Robert McDermid of York University and Myer Siemiatycki of Ryerson University), cited as a reason for recent changes in related regulations at the federal level, and for proposals to that same end at the provincial level.

In any event, participation remains far from optimal. What should concern Council is the question: what can we as a Council do to renew participation in this fundamental democratic exercise in our own municipality?

This proposal contemplates a task force composed of two panels, to address two aspects of the same issue. The first panel ("Panel 1") would investigate means of increasing the participation of currently eligible voters in future elections, while the second ("Panel 2") would undertake a program for ensuring that those who come of voting age over the next four years participate in the 2010 municipal election. Hence, the attached terms of reference are in two parts, one for each panel.

The first panel would be comprised of citizens who indicate an interest in promoting voter participation; the second would be composed of youth now between the ages of fourteen and eighteen who were not eligible to vote in the November 2006 municipal election but will be eligible to do so in the 2010 election. As indicated by Minister for Democratic Renewal Marie Bountrogianni during her visit to the City of Vaughan last autumn, if youth are sufficiently engaged to participate in the first election following their attaining voting age, the probability of their continuing to vote in future elections is greatly increased.

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:

It is the obligation of Council, as representatives of the people, and thereby champions of democracy, to promote full participation in the most fundamental of democratic exercises---voting.

Attachments:

Terms of Reference: Task Force on Democratic Participation and Renewal

Report prepared by:

Councillor Tony Carella
Mr Steven Del Duca, Chair, *Go Vote Vaughan*

(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.)

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 26, 2007

Item 5, Report No. 2, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 26, 2007.

5 VAUGHAN PUBLIC LIBRARY – 2007 BUDGET REQUEST

The Budget Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance and Corporate Services, dated February 20, 2007:

Recommendation

The Commissioner of Finance & Corporate Services recommends:

That the attached memo from the Vaughan Public Library Board staff with respect to an anticipated increase in the funding request from the Vaughan Public Library Board be received.

Economic Impact

The impact will be $178,544 when the formal request is received from the Board.

Purpose

To advise the Budget Committee that a memo has been received from the Chief Executive Officer of the Vaughan Public Libraries advising that the Board may be requesting from the City an increase in their 2007 operating budget funding.

Background - Analysis and Options

During discussions with Library staff regarding the Library's 2007 operating budget submission there was a discussion regarding an accounting accrual they planned to set-up at the 2006 year-end in the Libraries 2006 financial statements. During this discussion certain 2007 expenses were identified that were not budgeted in 2007, based on the expectation that these 2007 expenses would be funded from the accrual set up at the end of 2006.

Financial statements are prepared using Generally Accepted Accounting Principles (GAAP). An accrual established under GAAP would be to recognize that an expense has been incurred (i.e. in 2006 or prior year) and remained unpaid at the end of 2006. In discussions with Library staff it was determined that the accrual did not relate to any unpaid expenses in 2006 or prior years. Therefore it would not be appropriate under GAAP to establish this accrual in 2006.

As the desired purpose of the accrual in 2006 was to fund 2007 salary related costs a second issue was raised. Library staff have advised that the 2007 salary related costs will be ongoing. That is to say they will be incurred in 2007 and each year thereafter. Since the accrual would only provide funding for one year (i.e. 2007) there would be no permanent funding for the ongoing impact. The result is this would become a 2008 budgetary issue. In addition, in 2008 the Board would also have to address the funding for any 2008 salary related costs. Consequently the Library Board will be considering an increase in their request to the City at their next Board meeting.

Relationship to Vaughan Vision 2007

Not applicable.

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Conclusion

The memo from the Vaughan Public Libraries be received and the matter be dealt with when the formal request is received. The next Budget Committee meeting is February 27, 2007.

Attachments

Attachment 1 - Vaughan Public Libraries memo dated February 9, 2007

(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 26, 2007

Item 6, Report No. 2, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 26, 2007.

6 LONG RANGE FINANCIAL PLANNING – INFRASTRUCTURE FUNDING STRATEGY

The Budget Committee recommends:

1) That the report of the Commissioner of Finance & Corporate Services, the Acting Director of Budgeting & Financial Planning and the Director of Reserves & Investments, dated February 20, 2007, be received; and

2) That the presentation of the Commissioner of Finance & Corporate Services and presentation material entitled, "A Sustainable Community Long-Range Financial Planning Infrastructure Funding Strategy", dated February 20, 2007, be received.

Recommendation

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

1. That the following report and presentation on the proposed Infrastructure Funding Strategy be received;

2. That Council provide direction with respect to an infrastructure repair and replacement funding strategy; and

3. That the strategy be incorporated into the 2007 budget.

Economic Impact

The financial impact associated with adopting an infrastructure funding strategy will depend on which strategy Council adopts. There are four (4) options provided in the report.

Purpose

The purpose of this report is to provide the Budget Committee with infrastructure funding options and receive direction.

Background

City of Vaughan History

The need for fiscally prudent long-range financial policies and funding for infrastructure repair and replacement was recognized by Finance in 1994. In 1996, Finance brought forward and obtained Council approval for recommendations to begin partially funding future infrastructure repair and replacement costs in conjunction with the implementation of fiscally prudent long-range financial policies. Although this put the municipality in a stronger financial position and ahead of most municipalities as it relates to reserve balances, recent findings indicate additional critical funding is required to address current and future infrastructure repair and replacement spending requirements.

Since that initial study the City adopted a new strategic vision with specific commitments to revitalize infrastructure and ensure long-term financial stability. In recognition of the City's desire to continue to manage municipal assets in a fiscally prudent manner, Finance staff again acknowledged the challenge and initiated another Long-Range Financial Planning study, which complimented and built upon the financial planning work previously conducted.

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 significantly under funded and an infrastructure funding strategy is desperately needed to begin addressing the backlog of unfunded projects and future infrastructure requirements.

Current Municipal Environment

The challenge of funding the significant costs of infrastructure repair and replacement is a paramount concern for most municipalities across Canada. As stated in a 2003 Municipal World article, "Canadian municipalities are facing a $50 billion infrastructure backlog and are falling behind at $2 billion per year". This is largely caused from new facility construction having been primarily funded through development charges, leaving the municipality to fund future infrastructure repair and replacement of those rapidly aging assets at a later date from the municipality's tax base.

Infrastructure renewal has become a common topic in the media and illustrated below are a few key events in the municipal world, which further validate the seriousness and magnitude of the infrastructure challenge.

- Toronto staff are proposing another 9% water and sewer rate increase necessary to replace and repair Toronto's aging water and sewer lines. Toronto projects significant increases, approximately 62% overall, will be required for this issue.

- The Federal and Provincial government's recent willingness to share a portion of the gas tax demonstrates other levels of government are beginning to recognize the infrastructure pressures municipalities are currently facing.

- Most recently, the Public Sector Accounting Board (PSAB) introduced a new accounting guideline regarding local government tangible asset reporting. This guideline requires municipalities to report capital assets in their financial statements, including information on the condition of those assets. The emergence of this requirement clearly indicates a need to gather information on municipal infrastructure to better assess the situation.

The Infrastructure Funding Challenge

The above illustration is not unlike the situation in Vaughan, where 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 and corresponding unfunded infrastructure repair and replacement backlog. 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 which 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

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for further infrastructure investment in order to protect, sustain, and maximize the use of Vaughan's infrastructure assets.

Recognizing the importance of this issue staff developed options with respect to an infrastructure funding strategy, which works towards addressing infrastructure repair and replacement spending requirements while ensuring long-term financial stability. The infrastructure funding strategies are multiple part plans and will be detailed in a later section of this report.

Long-Range Financial Planning Process

The core foundation of the infrastructure funding strategy is the Long-Range Financial Planning model. The long-range-financial planning model is a mechanism which articulates Vaughan's long-term (25 year) financial requirements and infrastructure repair and replacement trends. The model brings together information from multiple sources with appropriate forecasting drivers and assumptions (e.g. inflation, interest, population, lifecycles, etc), which when applied in combination to specific model elements provided realistic projections. Although the model incorporates both operating and capital requirements the focus of this report will be solely on infrastructure funding requirements.

The infrastructure repair and replacement forecast incorporates most major capital asset categories e.g. building components, vehicles, roads, parks infrastructure, fire equipment, computer infrastructure, etc. In addition, the model forecasts the tax-supported portion of the capital program, Capital from taxation programs and debt repayment. The focus of the forecast was to identify the gap between the City's infrastructure requirements and available funding sources.

Infrastructure repair and replacement is the largest component of the model and is primarily based on life cycle forecasting, which schedules asset replacement based on the asset's estimated useful life, termed life cycle, and computes the timing and amounts necessary to fund infrastructure requirements. Life cycle forecasting was a significant and major accomplishment and is an on-going annual requirement to update the model. All asset life cycles were provided by departments based on the best information available and their professional experience. This process required extensive input and collaboration with departments on a citywide basis and involved working jointly with key City department staff to:

- Gather infrastructure inventories
- Determine the timing of new infrastructure
- Define infrastructure components, installation dates and estimate life cycles to better predict replacement requirements
- Calculate future replacement timing and values

One exception to the above lifecycle forecasting process is roads repair and replacement, which is based on a Council approved Engineering roads study, not life cycle costing. Nevertheless, road repair and replacement requirements are included in the Long-Range Financial Planning model and funded from long-term debt, as is the current practice. Engineering is currently endeavoring to update the study and once final, any changes will be incorporated into the plan.

Departmental review sessions were conducted to communicate cumulative outcomes and ensure departmental "buy-in" on the forecast, assumptions and drivers. This process resulted in a sensible long-range forecast based on logical and supportable assumptions.

As mentioned above, the Long-Range Financial Planning model captures the majority of Vaughan's infrastructure. However, the model does not include or forecast Water and Wastewater and development charge reserves, as they are funded entirely from utility rates or developer contributions, which do not impact Vaughan's budget or tax rate. In addition, there are

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a few minor asset category items outstanding due to unavailable information (e.g. streetlights, walkways, entrance features, etc). Notwithstanding there is some minor outstanding data, the model is still relevant, if somewhat conservative, and is a very useful and important tool in that it forecasts key trends and potential outcomes.

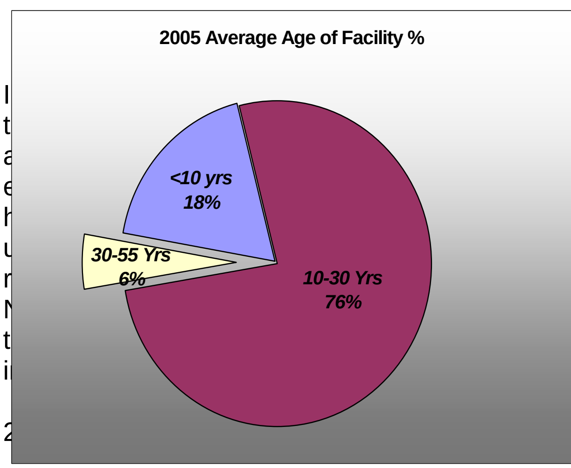
It is also necessary to stress that Long-Range Financial Planning is not an exact science and that projections, extending over any period of time, will likely change. It should be noted, the model was never intended to predict exact tax rate increases, but rather to illustrate financial trends, impacts and patterns to stimulate insightful and constructive discussion.

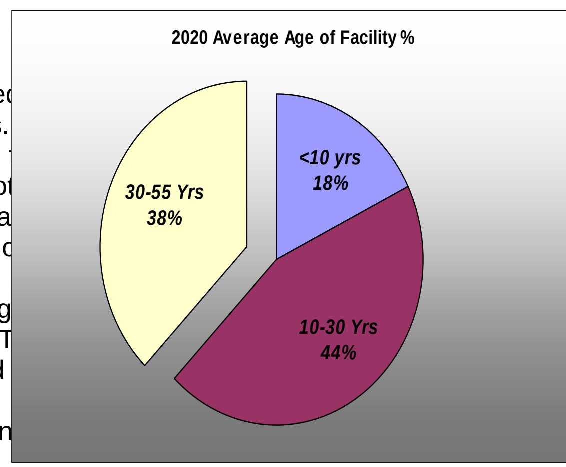
Infrastructure Outcomes and Trends

A primary objective of the Long-Range Financial Planning study was to quantify future infrastructure spending requirements and summarize key financial trends in order to identify long-term implications and their aggregate affects. An analysis of Vaughan's infrastructure and funding position was conducted in 2005 and key findings presented to Council in March 2006. This report is based on that information. Although, the outcomes and trends are based on 2005 data the overall picture remains relatively unchanged. Key findings based in the last Long-Range Financial Planning item are summarized below:

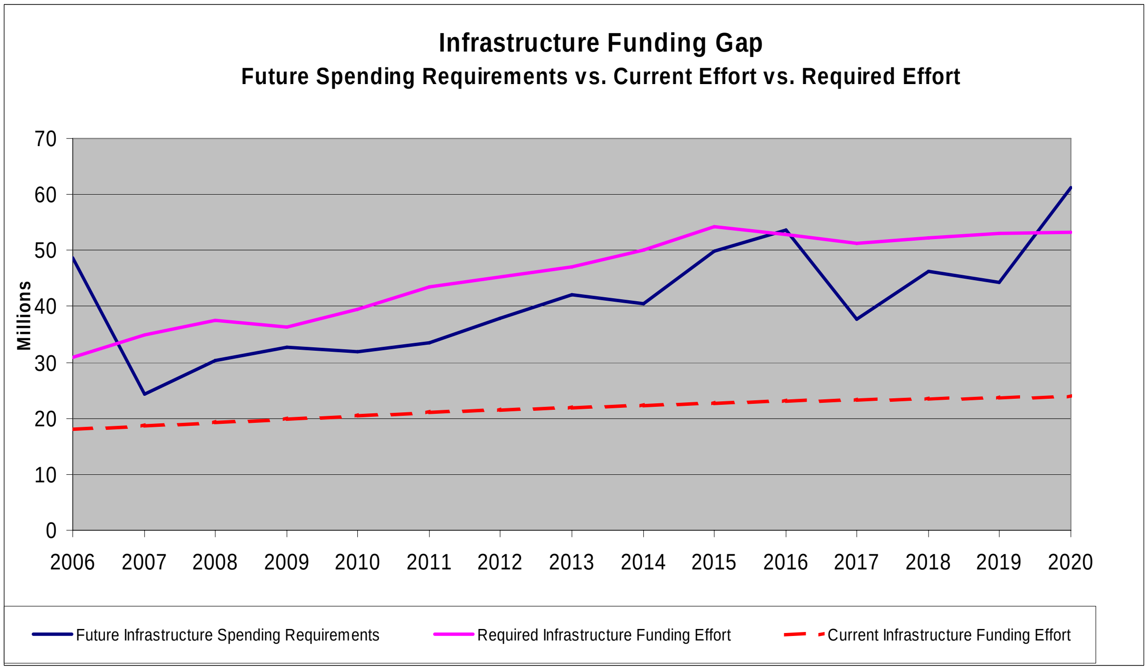
1. Infrastructure is rapidly aging

This is a relatively new challenge for Vaughan, as most infrastructure items were recently constructed over the last two decades. There is a relationship between asset age and rehabilitation costs. As Vaughan's new infrastructure ages, significant repair and replacement funding will be required to sustain its condition and functionality. The Facility Age graphs below, clearly illustrate infrastructure is rapidly aging and demonstrates that a significant portion (32%) of facilities will migrate to the 30-55 year age category over the next 15 years.





The prevailing theme throughout the Long-Range Financial Planning model is that infrastructure spending is significantly under funded. This is illustrated below in the Infrastructure Funding Gap graph, which compares the current infrastructure funding effort (e.g. reserve contributions, capital from taxation, LTD, etc) to infrastructure spending requirements based primarily on lifecycles and approved studies. Infrastructure reserve withdrawals are not factored into the below graphical representation as these balances are currently used to sustain the 50% discretionary reserve ration policy, which will be further discussed in a later section of the report. The following conclusions can be drawn from the infrastructure funding gap graph illustrated below.



- Infrastructure spending requirements are initially more than double the available infrastructure funding effort. A significant portion of this balance represents the accumulated back log of infrastructure requirements, based on departments estimated replacement timing, as a result of unavailable funding in prior years.

- Future infrastructure spending requirements steadily climb over the next 15 years. As mentioned above, Vaughan is a high growth community and overtime the aging of existing and future infrastructure will further increase the infrastructure spending burden.

- Existing infrastructure funding effort levels will not keep pace with the spending requirements and necessitate significant incremental investment in order to reduce the existing accumulated infrastructure backlog and sustain the City's infrastructure network.

3. Infrastructure reserve balances and funding levels will not sustain requirements

An infrastructure reserve adequacy study was performed which estimates the infrastructure reserve balance requirements based on forecasted life cycle contribution requirements. The outcome indicates that existing infrastructure reserve balances are short $90 million, and the shortfall will continue to increase over time without additional continuous funding. This analysis is very significant as it illustrates the organization's on hand funding availability to meet both short & long-term infrastructure requirements. The outcomes of this analysis are illustrated in the chart below

Notes: Reserve balances estimated as at Dec. 31, 05 based on Dec. 19th proposed 2006 Budget

Infrastructure Reserves	Reserve Balance	Reserve Adequacy	Surplus (Deficit)	Items Past Life-Cycle
Building & Facilities	9,682,115	53,073,529	(43,391,414)	14,970,768
Vehicle Replacement	8,115,101	9,377,104	(1,262,003)	3,051,061
Parks Infrastructure	1,763,411	34,151,028	(32,387,617)	8,549,049
Fire Equipment Replacement	1,137,679	12,503,985	(11,366,306)	837,887
City Playhouse	83,309	83,309	-	-
Uplands Reserves	(121,752)	1,370,728	(1,492,480)	446,323
Heritage Fund	(45,913)	694,195	(740,108)	390,241
Total	**20,613,950**	**111,253,878**	**(90,639,928)**	**28,245,329**

Of particular interest is that reserve balances cover only 71% of the value of estimated items past lifecycles. Provided an infrastructure funding gap currently exists, it is unlikely any improvement in the above measures will transpire without additional investment.

4. The Need for Discretionary Reserve Balances

Minimum discretionary reserve balances are required to help stabilize and smooth out a multitude of future spending requirements. In 1995, Council adopted a policy of a 50% discretionary reserve balance as a percent of own source revenues. This ratio is a strong indicator of Vaughan's financial stability; ability to finance operations internally and also has an impact on credit ratings that could affect interest rates used for borrowing debentures. Discretionary reserve balances also include the infrastructure reserve balances that are required to address the future costs of infrastructure repair and replacement as reflected in this report. These are part of the reason why the 50% discretionary reserve balance was recognized in 1995, and continues to be recognized as an important financial policy and performance measurement indicator for the municipality.

Discretionary reserve balances also serve as a safeguard against unanticipated economic downturns, which place significant pressure on cash flows. To illustrate the importance of reserves on hand and cash flows within the Long-Range Financial Planning study, a model was developed to demonstrate the affects of a recession. Using data similar to the recession experienced in the early 1990's, the result was that discretionary reserves and Vaughan's available line of credit would be completely exhausted in order to sustain municipal operations. This further signifies the importance of cash management and the need to maintain a discretionary reserve balance at a minimum of 50% own source revenues. However, the implication of maintaining a minimum 50% discretionary reserve ratio may require restricting infrastructure reserve spending until overall discretionary reserve balances exceed set targets.

5. Long-term debt requirements will increase

The approved roads rehabilitation requirement is approximately $9 million per year. Issuing 10 year debentures at 5% yield for annual and outstanding roads program requirements will result in annual LTD payments progressively increasing from $4 million to $17 million within a 10 year period. Likewise, the corresponding long-term debt payment ratio will also rise, but is projected to keep within the City policy of 10% of own source revenue, unless significant debenture requirements are added. Engineering is currently in the process of updating their roads requirements and it is anticipated funding needs will likely exceed the currently approved program. This is just another example of the applied pressure Vaughan's aging infrastructure will have on the City's future tax base.

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Infrastructure Funding Strategy

Given the significance and magnitude of the trends and outcomes presented above, it is recommended that Vaughan approve a funding strategy to address existing and future infrastructure spending requirements. 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 based on infrastructure which is past its life cycle. Given the magnitude of the issue a 4-part plan is recommended as follows:

1) Advocating for greater assistance from other levels of government
2) Rethink infrastructure placement and replacement
3) Controlled Infrastructure Reserve Spending
4) Increasing Infrastructure Funding

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 will only marginally assist in the formulation of a complete infrastructure funding strategy. Unless additional stable long-term funding is secured and/or appropriate financial tools created, the funding gap will continue to grow and burden municipalities with large tax increases or deteriorating infrastructure. As part of the plan, it is necessary that other levels of government assist with funding for infrastructure repair and replacement. A reduction or elimination of GTA Pooling could also assist with the funding issue.

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 the 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 infrastructure funding effort. This poses a complicated challenge as the initial requirements are overwhelming and will be financially difficult to overcome immediately.

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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 on February 28th, 2006:

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 associated with the approved roads program as these requirements are established and the funding policy approved.

Option 1 - Fund now through tax increases based on life cycle forecasts

This option calculates the infrastructure funding requirements going forward based on life cycle costing and identifies adequate funds to be set aside each year for infrastructure replacement. This is achieved through an initial significant tax rate increase followed by the required annual tax rate increases as per the life cycles of assets. The first year tax rate impact of this option is a 13.7% increase with a cumulative 10 year tax rate increase impact of 18.6%. This option meets the spending requirements within 2 years and thereafter begins full reserve contributions, but does not consider any existing reserve adequacy shortfall which would require further financing.

Option 2 – Fund over time through fixed annual increases

This option meets the spending requirements within 5-6 years and thereafter begins to address and eventually eliminates reserve adequacy issues through reserve contributions. This is achieved through a continuous fixed 3% annual tax increase, beginning in 2007. However, infrastructure contributions would not be linked to life cycle costing requirements and the appropriate tax rate increase would require frequent review to ensure consistency with infrastructure needs.

Option 3 – Fund all incremental infrastructure spending requirements through LTD

This option addresses incremental funding for infrastructure spending requirements for overdue and future items as their life cycles expire through funding all requirements with the issuance of long-term debt. This option addresses infrastructure spending requirements immediately. The first year tax rate impact of this option is a 3.8% increase with a cumulative 10 year tax rate increase impact of 11.7%, however the cost of debt increases significantly as the amount of debt issued increased annually. This excludes roads related debenture requirements.

Option 4 – Hybrid– fixed tax increases, LTD, and reduced infrastructure spending requirements

This option is very similar to option 2, but blends in long-term debt and infrastructure spending restrictions in order to meet the infrastructure requirements at an accelerated pace. This is achieved through a hybrid combination of a fixed 3% annual tax increase, a one-time $10 million debenture, and a 5% reduction in infrastructure spending requirements. The above combination results in an immediate reduction of the past lifecycle backlog and meets infrastructure spending requirements a year earlier that option 2 at the expense of a slightly higher initial tax increase and overall higher costs.

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Evaluation of Infrastructure Funding Options

Municipalities are faced with considerable funding restraints and constant budgetary pressures, which make selecting the best infrastructure funding option a difficult endeavor requiring the careful balancing of tax rate increases and meeting infrastructure requirements.

The first option, Option 1- Fund now through tax increases based on life cycle costing, warranted significant consideration, largely because it meets the funding requirement in a relatively short timeframe and ties the funding requirement directly to asset utilization. However, the downfall of this option is the initial infrastructure investment, equivalent to an initial tax rate increase in excess of 13%, making this option financially impractical. It also doesn't provide time for more assistance from other levels of government.

Option 2 funds infrastructure requirements over time through fixed annual increases. As illustrated earlier this is achieved through a fixed 3% annual tax increase, beginning in 2007. This option offers the lowest initial tax rate increase, meets infrastructure spending requirements within 5-6 years, and eventually resumes infrastructure reserve contributions, which will ultimately eliminate the reserve adequacy shortfall. The option is financially flexible and exercises prudence and conservatism through gradual incremental funding. It provides an opportunity to leverage government assistance and rethinking infrastructure opportunities in effort to reduce or accelerate achieving the infrastructure spending requirement.

On the other side of the Continuum, Option 3 – Fund all incremental infrastructure spending requirements through LTD appears very attractive as requirements are met immediately and with initial tax increases that are relatively comparable to options 2 & 3. Although, these are very favourable results this option has 3 significant drawbacks. Firstly, the additional interest costs associated with funding infrastructure spending requirements through long-term debt is significant. For example, the cost of borrowing funds over 10 years at a 5% interest rate is equivalent to 30% of the borrowed value over the loan term. In addition, should interest rates climb the cost of borrowing will rise proportionately. Provided incremental infrastructure requirements will likely exceed $100m over the next 10 years, it would be financially prudent to redirect funds assigned to pay interest to infrastructure requirements. Secondly, locking into long-term financing arrangements to fund ongoing incremental infrastructure requirements reduces the City's future financial flexibility. This may have an impact during times where additional funding is required or cash flow is a concern and the ability to access funds are committed to loan payments and restricted by financial covenants. On a final note, the option breaches the current approved debt policy limit of 10% of own source revenues, but remains within Municipal Act requirements. In addition, infrastructure reserve contributions will cease, likely impacting the discretionary reserve ratio.

Option 4 – Hybrid, incorporating debt, fixed annual increases, incorporating a reduction in infrastructure spending and includes the added cost as a result of issuing debt.

Relationship to Vaughan Vision 2007

This study addresses two main goals identified in the Vaughan Vision under mange our Resources:

1. Ensure Short-Term and Long Term Financial Stability
2. Revitalization of infrastructure

Conclusion

Over the last decade Vaughan has experienced tremendous growth, and as a result of that growth significant investments in infrastructure occurred funded primarily by development

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charges. As Vaughan's infrastructure ages, continued investment is required to ensure the City's assets are maintained in a state of good repair. Recently a Long-Range Financial Planning study was conducted and it concluded that significant additional investment is required to maintain the infrastructure network.

Aware of the situation illustrated above, Finance, in consultation with the City Manager and the Senior Management Team developed options and strategies to overcome the infrastructure funding challenge Vaughan currently faces. Cognizant of the potential tax rate implications, staff developed and evaluated potential options.

Unless additional stable long-term funding is secured and/or appropriate financial tools created, the funding gap will continue to grow, infrastructure will deteriorate and inevitably compromise overall community quality of life, economic health, and safety. Incorporating a strategy into the 2007 budget process would be a prudent step towards preserving the overall quality of life in Vaughan by protecting, revitalizing and sustaining Vaughan's existing and future infrastructure.

Report prepared by:

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

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

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 26, 2007

Item 7, Report No. 2, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 26, 2007.

7 2007 DRAFT CAPITAL BUDGET

The Budget Committee recommends that the following report of the City Manager, the Commissioner of Finance & Corporate Services, the Senior Management Team and the Director of Reserves & Investments, dated February 20, 2007, be received.

Recommendation

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

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

2. That Council amend the Development Charges policy guideline previously approved by Council to recognize that most growth related studies must proceed in advance of development and allow the management studies to be undertaken in advance of the DC funds being collected;

3. That recognizing that the Block 10 community centre is the next indoor recreation facility to be constructed based on the development charge (DC) capital plan that Council commit the DC funds currently collected for indoor recreation ($15M) and sufficient future funds to be collected forto the future construction of the North Thornhill Community Centre; and

4. That the funding for the green bin program approved in 2006 be amended to reflect the recent approval of a Green Funds grant thereby eliminating the requirement for taxation funding and reducing the use of “gas tax” funding.

Economic Impact

The 2007 Draft Capital budget is $59,238,280 and funded from a variety of sources (Attachment 1).. The Draft Capital budget is in keeping with Council approved policies and recognizes the limited amount of tax dollars available for capital work. The future operating budget impact of the draft capital budget is $1,845,400 or a 1.82% tax increase.

Purpose

The purpose of this report is to provide the Members of the Budget Committee an opportunity to comment on the 2007 Draft Capital Budget.

Background - Analysis and Options

In the preparation of the Capital Budget a number of issues were taken into consideration. The continued pressures of pressure of growth, maintaining existing infrastructure and the provision of new services were balanced against available funding, the impact on the Operating budget and the available staff resources to undertake and properly manage the projects.

Total capital funds requested equals $117,746,575. The Draft 2007 Capital Budget submission totals $59,238,280. Capital projects are funded from four main sources: Development Charges, Reserves, Taxation and Long Term Debt. Departments have prioritized the projects within each

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funding source. Based on previously approved Council policies, Finance staff have assessed the availability of funding and established a funding line within each funding source. The following list summarizes the financial policy areas:

1) Level of Discretionary Reserves
2) Level of Working Capital
3) Level of Debt
4) 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. The following summarizes the key financial information ratios compared to targets approved by Council.

	Projected Dec. 31, 2006	Approved Target
Net Development Charge Balance	$63.4M	N/A
Discretionary Reserve Ratio	54.7%	50% of own source revenue
Working Capital	11.2%	10% of own source revenue
Debt Level *	5.21%	10% of own source revenue

*Includes Commitments for OSA & Vaughan Sports Complex

Development Charges

In reviewing the projects submitted to be funded from development charges, the following previously approved guidelines 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) Service category pre-financing should not be increased; and
3) Commit no more than 50% of anticipated revenues for any service category

Each department prioritized the projects within each development charge funding source. Finance staff assessed the funding availability and established a specific funding line for each service. With the exception of Management StudiesGeneral Government (Studies) the 2007 Draft Capital Budget is within these guidelines.

There is often a requirement to complete growth related studies in order to plan for and proceed with future development. Consequently it can be expected that the growth related Management Studies account will be in a deficit until development build out. Based on the above staff recommend Council amend its policy/guideline and exclude Management Studies account from the Development Charges policy/guidelines to permit the account to be in a deficit position, Overall DC accounts should have a positive balance notwithstanding the deficit in this one DC account.

A key financial policy approved by Council is the requirement of funds to be identified prior to the project being approved.

The construction of the North Thornhill Community Centre located in Block 10 (Project BF-8114-07) was scheduled initially for construction over 2004/05 based on the growth forecast in the Development Charge Background Study. It is the next indoor recreation facility to be constructed based on the capital plan in the DC Background Study. Total cost of the project is $25,974,500 (City Wide Development Charges – Recreation $23,377,050 and Taxation $2,597,450). The community center design funds were approved in 2003. As of December 31, 2006 the

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uncommitted net balance in the City Wide Development Charges – Recreation account is $15,544,862. Based on the financial policy on the requirement of funds be on hand prior to project approval, this project is not recommended to proceed at this time. Since, based on the capital plan in the Development Charge Study the Block 10 Community Centre is the next facility to be constructed, staff recommend committing $15M of the City Wide Development Charges – Indoor Recreation funds for the future construction of the North Thornhill Community Centre located in Block 10 and future funds sufficient to construct the facility. If the level of development activity continues throughout 2007 it is anticipated that the additional $8,377,050 City Wide Development Charges – Recreation funds for the balance of this project will be received during 2007, thus allowing the project to be tendered early 2008 once the project receives final approval during the 2008 Capital Budget deliberations.

On projects such as this there is a requirement to fund 10% from a source other than development charges. The source most often is taxation. An advantage of funding this large project over two (2) years is that the 10% or $2.5M from taxation is also split over two (2) years.

Long Term Debt

The capital projects identified for long term debt financing are typically large projects (road resurfacing, road reconstruction, road upgrading) that have no other source of funding other than taxation.

Under Ontario Regulation 403/02, a municipality may borrow or undertake financial obligations provided that the annual repayment limit related to the debt and financial obligations do not exceed 25% of net revenue fund revenue. It is recommended that the capital projects identified above the funding line from long term debt totaling $10,969,000 be approved (Attachment 3)..

Once Council approves the long term debt funded capital projects, staff will prepare the tender and request for the approval of the award of tender. When these projects are complete and costs finalized the City requests and authorizes the Region of York to issue the debenture on the City's behalf.

Taking into account the additional debt contemplated by the draft capital budget, the City of Vaughan debt charges are still within the 10% debt ratio policy approved by Council. The annual debt repayment limit calculated pursuant to Ontario Regulation 403/02 for the proposed debt charges and financial obligations is 5.21% of net revenue fund revenue, well within the 25% maximum allowed under the regulation. The issuance of the long term debt will have an estimated future annual operating budget impact of $1,420,500.

Taxation

Projects identified from taxation funding are smaller non-growth related projects that have no other source of funding such as technology, infrastructure repair, studies, etc.. Also included in the taxation funding request is the 10% co-funding requirement of the Development Charges Act for certain growth related services (Libraries, Recreational Complexes, Parks and Vehicles).

The 2007 Capital requests from Taxation is $35,146,045. The amount of funding available for taxation funded projects from the 2007 Draft Operating Budget is $6,537,000. Staff have also reviewed the list of previously approved taxation funded projects and have identified an additional $866,000 in potential available funds. The majority of theadditional funding has become available as a result of the recent approval of a Green Funds grant and gas tax fundingt. As a result, the revised total taxation funding available for the 2007 taxation funded capital projects is $7,403,000.. Senior Management Staff reviewed the $35.1M request and prioritized the projects totaling $7,403,000 (Attachment 4).. Of this amount $2,375,440 relates to development charge co-funding required under the Development Charges Act. Any further approval of the taxation funded capital request in excess of $7,403,000 would have an additional impact on the 2007 Operating budget and the property tax rate.

Infrastructure Repair & Replacement

The Long Range Financial Planning Study (LRFP) presented to the February 28, 2006 Committee of the Whole (Working Session) assessed the need for and began to quantify the financial impact of the repair and replacement of the City's major capital assets. The LRFP provides an infrastructure repair and replacement forecast based on the various departments lifecycle forecasting. Assets were scheduled for replacement based on the assets estimated useful life. The results of the LRFP identified that the City infrastructure repair and replacement is significantly under funded. A comprehensive infrastructure funding strategy is required. Several years ago staff recognized the need to direct more funding for infrastructure repair and replacement. In approximately 1998 the City began to provide limited funding to reserves created for the major repair or replacement of building and facilities, parks and roads. Based on Council policy the combined balance in these and other reserves is such that there is an opportunity to now utilize some of these reserve funds. The funds available in each of the Reserves mentioned above is as follows.

	Est. Available Funding
Bldg Infrastructure Pre 99	$1,047,540
Bldg Infrastructure Post 98	$838,420
Roads Infrastructure	$694,150
Parks Infrastructure	$319,714

With the proposed identified funding available from these reserves for assets beyond their life cycle, the estimated discretionary reserve ratio for 2007 remains above the 50% Council policy. Future expenditure from these and other reserves will depend on the annual reserve contributions, interest earned and whether or not the 50% discretionary reserve ratio can be maintained.

Municipal Gas Tax Funds

Eligible infrastructure under the Municipal Gas Tax Funding agreement are projects that are environmentally sustainable municipal infrastructure projects with the following categories:

- Public Transit
- Water
- Wastewater
- Solid waste
- Local roads, bridges & tunnels
- Active transportation infrastructure (e.g. bike lane)
- Capacity building and community energy systems (e.g. retrofit municipal buildings and infrastructure)

The municipality must also clearly demonstrate that the funding used for a project is incremental and the funding either enabled a project's implementation, enhanced its scope or accelerated its timing. The objective of the Gas Tax Program is to increase the amount of infrastructure repair and replacement and not to simply replace other sources of funding. Therefore the use of the gas tax funds must be incremental.

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Under the agreement the calculation for the incremental amount for the City of Vaughan is calculated as follows:

Average municipal spending on eligible project categories for the period Jan 1, 2000 to Dec 31, 2004	$56,254,885.00
Plus:	
Municipal Gas Tax Funding Nov. 15, 2005 to Nov. 15, 2009	$14,786,956.41
Total municipal spending on eligible project categories for The period April 1, 2005 to March 31, 2010	$71,041,841.41

Reconciliation of funds received and committed is as follows:

Gas Tax Funds received to date – Dec. 31/06	$3,549,313
Less Commitment Green Bin	$1,356,000
Balance available for Eligible Projects	**$2,193,313**

Staff have reviewed the list of capital projects submitted and with concurrence of AMO staff have identified a number of capital projects eligible under the Municipal Gas Tax Funding Agreement.

The list of projects totaling $1,544,000 is identified above the Gas Tax Reserve funding line. Further expenditure plans will be provided for the balance and future gas tax revenues.

Reserve Continuity Schedule

The Reserve Continuity Schedule (Attachment 5) identifies all the City's reserves and deferred revenue account (DC's) and illustrates the estimated balance at the end of 2006 and the balances after funding the proposed 2007 Capital budget. The continuity schedule is useful for tracking reserve balances and ensuring funds are on hand prior to project approval.

Operating Budget Implication

The proposed 2007 Draft Capital Budget funding lines have been recommended to Council. Should Council approve the capital projects above the proposed funding line, the estimated future operating cost implication is estimated at $1,845,400 or approximately 1.82% increase in the property tax 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 submission and have established priorities and appropriate funding lines. The 2007 Draft Capital Budget is $59,238,280. The Operating budget implication for the 2007 Draft Capital Budget included in this report is $1,845,400 or approximately 1.82% property tax increase when the projects are complete.

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Attachments

Attachment 1 - Draft 2007 Capital Budget Funding Summary
Attachment 2 – Draft 2007 Capital Budget Funded other than Taxation and Long Term Debt
Attachment 3 – Draft 2007 Capital Budget Funded from Long Term Debt
Attachment 4 – Draft 2007 Capital Budget Funded from Taxation
Attachment 5 – Preliminary Continuity Schedule of Capital Reserves and Development Charges

Report prepared by:

Ferrucio Castellarin, CGA
Director of Reserves & Investments, ext. 8271

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

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 26, 2007

Item 8, Report No. 2, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 26, 2007.

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LIGHT EMITTING DIODE (LED) PROPOSED TRAFFIC SIGNAL LAMP REPLACEMENT

The Budget Committee recommends approval of the recommendation contained in the following report of the Commissioner of Engineering and Public Works, dated February 20, 2007:

Recommendation

The Commissioner of Engineering and Public Works in consultation with the Commissioner of Finance and Corporate Services recommends:

1. That the replacement of the existing incandescent lamps in the City's traffic and pedestrian signals with the light emitting diode (LED) type be approved;

2. That the conversion be completed through a three year program to replace 16 intersections per year at a cost of approximately $124,000.00.

Economic Impact

Funding in the amount of $124,000 for the first year of a 3-year replacement program has been included in the Draft 2007 Capital Budget. Future phases of the program would be considered in budget deliberations in subsequent years. Implementation of the program will result in a reduction in the City's traffic and pedestrian signal operating and maintenance costs.

Purpose

Engineering staff is providing a review of the feasibility of replacing the existing traffic signal lamps from the standard incandescent lamp to the light emitting diode (LED) lamp, due to the overall economic, environmental and hydro use savings for the City.

Background - Analysis and Options

The majority of municipalities are converting their existing traffic signal lamps from the standard incandescent to the light emitting diode (LED) lamps, in an attempt to provide cost savings for the municipality, reduce the environmental impact and hydro use. Some municipalities did a complete conversion at one time and others have adopted completion through a multi year program.

Since 2002, Engineering staff has included light emitting diodes (LED) in the City's traffic signal installation contracts. This work was also included in any traffic signal installation required through the development process. In total, there are 13 traffic signals and 3 pedestrian signals utilizing LED lamps in Vaughan.

The advantages of the use of a LED lamp are:

- Use between 80 and 90% less hydro consumption than the standard incandescent lamp.

- Last up to 10 times longer which results in fewer maintenance calls and repair costs.

- LED's provide brighter illumination for the motorist and pedestrian.

- No breakable glass as the lamp is a cluster of individual lights mounted in a single unit.
- More resistant to vibration and climate change.
- Since traffic signal and pedestrian signals operate 24 hours a day, the city will achieve savings in hydro costs which will offset the initial capital costs.

The typical power demand for the various traffic signal luminaire types is as follows:

	Standard Incandescent	LED
Red	135 watts	10 watts
Amber	60 watts	14 watts
Green	60 watts	9 watts
Pedestrian	90 watts	6 watts

Note: Incandescent bulbs need different wattage to maintain the intensity of light with different colour filters. LED lights need different wattage to produce a particular colour of light.

Within the City there are 46 traffic signals and 4 pedestrian signals currently utilizing incandescent lands and which could be changed to the LED head. The average cost (based on our traffic signal contract for 2006) for a traffic signal (red, amber, green) is $610.00 per signal head and for a pedestrian signal (walk, don't walk) is $330.00.

A typical intersection would have 8 traffic signal heads and 8 pedestrian heads which relates to an approximate cost of $7,500.00 per installation. A pedestrian signal has 4 traffic signal heads and 2 pedestrian heads which relates to an approximate cost of $3,100.00 per installation. Therefore, to replace the remaining 46 traffic signals and 4 pedestrian signals the approximate cost, including the associated engineering fee would be approximately $371,000.

The average cost saving for the signal maintenance contractor to attend a site due to an incandescent lamp out is $650.00. This cost includes required staff, vehicles and material. In 2006, the City's contractor was dispatched 38 times to replace a lamp that was out. With LED heads, these call-outs would virtually be eliminated. This would produce a savings of over $20,000.00 per year on call-outs alone. The average cost saving for hydro use is approximately $400.00 per intersection or pedestrian signal with the LED traffic signal head. This would relate to a total yearly savings based on the remaining 50 locations of approximately $20,000.00.

Yearly maintenance for cleaning of each signal head would still be required.

It is suggested that this work be completed on a 3 year program for the remaining 46 traffic signals and 4 pedestrian signals. This would involve the replacement of 16 or 17 intersections per year at a cost of approximately $124,000.00.

Funding for year 1 of a conversion program has been included in the Draft 2007 Capital Budget for consideration. Funding for future phases of the program would be included in future budgets for consideration.

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Relationship to Vaughan Vision 2007

This traffic study is consistent with Vaughan Vision 2007 so as to A, Serve our Citizens, B, Manage our Resources and D, Run our City.

This report is consistent with the priorities previously set by Council.

Conclusion

It would be beneficial to replace the remaining existing standard incandescent lamps to the light emitting diode (LED) lamps for economical, environmental and hydro use savings for the City.

Attachments

None

Report prepared by:

Mike Dokman, Supervisor Traffic Engineering, ext. 3118

MD:mc