

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 24, 2009

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Economic Impact

The proposed 2010 Capital Budget totals \$49,276,959 and is funded from a variety of sources (Attachment 1). The proposed 2010 Capital Budget is within Council approved policies with the exception City Wide Development Charges – Fire Services and recognizes the limited tax dollar and limited resources available for capital work.

The future operating budget impact of the proposed 2010 Capital budget is \$3,517,334 or a 2.8% tax increase when the projects are complete.

Communications Plan

The Budget Committee meetings are advertised and open to the public. In addition, the final Public meeting to consider the Capital Budget will be advertised and a press release will be issued following Council approval. The highlights from the Capital Budget will also be incorporated into the overall communication strategy for the 2010 Budget.

Purpose

The purpose of this report is to provide the members of the Budget Committee an opportunity to comment on the Proposed 2010 Capital Budget.

Background - Analysis and Options

A number of issues were taken into consideration in the preparation of the Capital budget. The continued pressures of maintaining existing infrastructure, growth and provisions of new servicing requirements for growth are balanced against available funding, the current financial impact on the economy and the impact on future operating budgets.

During the summer of 2009, the Federal and Provincial Governments announced the listing of successful projects totalling \$30.9M receiving funding under the Infrastructure Stimulus Fund (ISF) and the Recreational Infrastructure Program (RiNC). In total 177 projects were approved. Given the stringent program timelines for these projects, staff have given top priority to these projects and assigned staff accordingly. The proposed 2010 Capital Budget submission reflects the available staff resources to undertake or manage the projects being submitted for consideration.

The total capital funds requested equals \$90,511,753. The proposed 2010 Capital Budget submission totals \$49,276,959.

Capital projects are funded from four (4) main sources:

1. Development Charges;
2. Reserves;
3. Long Term Debt;
4. Taxation.

Departments have prioritized the projects within each 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) Requirement of Funds to be on hand prior to project approval.

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Over the years these policies have had a positive impact on the financial stability of the municipality.

The key financial information ratios compared to targets approved by Council:

	<u>Projected</u> <u>Dec. 31, 2009</u>	<u>Approved</u> <u>Target</u>
Net Development Charge Balance	\$81.7M	N/A
Discretionary Reserve Ratio	50.4%	< 50% of own source revenue
Working Capital	11.97%	< 10% of own source revenue
Debt Level *	6.3%	> 10% of own source revenue

*Includes Commitments for OSA and Vaughan Sports Complex. The calculation excludes the impact of issuing debt to fund the hospital contribution until the debt is actually issued.

Development Charge Reserves

For the projects submitted to be funded from Development Charges, the following Council endorsed guidelines were taken into consideration.

- 1) No service category with a positive balance should be placed into a pre-financing position (requirement of funds to be on hand);
- 2) With the exception of Management Studies, no service category pre-financing should be increased; and
- 3) Commit no more than 50% of anticipated revenues for any service category that is already pre-financed.

Each department prioritized the capital projects within each development charge funding source. Finance staff have assessed the funding availability and established a specific funding line for each funding source. With the exception of Fire Services, the 2010 Capital Budget is within these guidelines. Overall development charge accounts should have a positive balance not withstanding the deficit in the Management Studies and Fire Services development charge accounts.

Taxation

Capital projects identified for taxation funding are non-growth projects that have no other source of financing such as infrastructure maintenance and repairs. In addition, included in the funding request from taxation is the 10% co-funding requirement of the Development Charges Act for certain growth related services (Libraries, Recreational Complexes, Parks, Vehicles and Growth Related Studies).

The amount of funding available for taxation funded projects is \$6,564,747 from the 2010 Operating Budget. The 2010 taxation funded requests total \$23,308,535. Senior staff reviewed the \$23,308,535 in requests and prioritized projects totalling \$6,564,747 (Attachment 4). This was a challenging task as a number of projects will not receive funding without increasing the allocation of tax funding from the operating budget. Given that there are insufficient funds provided from the 2010 Operating Budget to fund all the taxation funded capital projects, staff reviewed the list of previously approved taxation funded projects to determine potential surplus funds. There are no additional funds from previously approved taxation funded capital projects. Any approval of taxation funded capital requests in excess of \$6,564,747 would have an additional impact on the 2010 Operating Budget and the property tax rate.

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Long Term Debt

The Capital projects identified for long term debt financing are typically large projects (road resurfacing, road reconstruction and 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 totalling \$4,579,000 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 proposed 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 obligation is 4.8% of net revenue fund, revenue well within the 25% maximum allowed under the regulation. The City's debt limit policy utilizes a more conservative definition of "own source revenues". The debt ratio under the City's policy is 6.3%.

The issuance of the long term debt as identified in the 2010 Capital Budget will have an estimated future annual operating budget impact of approximately \$593,000. This amount will depend on interest rates at the time of issuance.

Operating Budget Implications

The Proposed 2010 Capital Budget funding lines have been recommended. Should Council approve the capital projects identified above the proposed funding line, the City will experience future net operating costs that are associated with the approved projects. The estimated future operating cost implication is estimated at \$3,517,334 or 2.8% in property tax rate increase when the projects are complete. This excludes any life cycle costs associated with the projects.

Reserve Continuity Schedule

The Preliminary Continuity Schedule of Capital Reserves and Development Charges (Attachment 5) identifies all the City reserves and deferred revenue accounts (DC's) and illustrates the estimated balance at the end of 2009. The Continuity Schedule of Capital Reserves and Development Charges is useful for tracking reserve balances and ensuring funds are on hand prior to project approval.

Relationship to Vaughan Vision 2020/Strategic Plan

The budget process links the Vaughan Vision 2002 through the setting of priorities and allocation of resources.

This report is consistent with the priorities previously set by Council and is the process whereby the necessary resources are allocated and approved.

Regional Implications

Not applicable.

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Conclusion

The City Manager with the Senior Management Team and Finance staff have reviewed the 2010 capital submission and established priorities and appropriate funding lines. The Proposed 2010 Capital Budget is \$49,276,959.

The operating budget implication for the proposed 2010 Capital budget included in this report is \$3,517,334 or approximately 2.8% property tax increase when the projects are complete.

Attachments

Attachment 1 – Proposed 2010 Capital Budget Funding Summary

Attachment 2 – Proposed 2010 Capital Budget Funded other than Taxation and Long Term Debt

Attachment 3 – Proposed 2010 Capital Budget Funded from Long Term Debt

Attachment 4 – Proposed 2010 Capital Budget Funded from Taxation

Attachment 5 – Preliminary Continuity Schedule of Capital Reserves and Development Charges

Report prepared by

Ferruccio Castellarin, CGA

Director of Reserves & Investments, ext. 8271

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

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Item 2, Report No. 8, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on November 24, 2009.

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**2010 DRAFT COUNCIL BUDGET AND
2010 DRAFT COUNCIL CORPORATE BUDGET**

The Budget Committee recommends approval of the recommendation contained in the following report of the Commissioner of Legal and Administrative Services, dated November 10, 2009:

Recommendation

The Commissioner of Legal and Administrative Services, in consultation with the City Clerk, recommends:

- 1) That the 2010 Draft Council Budget be received; and
- 2) That the 2010 Draft Council Corporate Budget be received.

Economic Impact

There is a \$13,825 impact as a result of the increase in population. There is no impact on the Draft 2010 City Operating Budget as a contingent provision was included for this purpose.

Communications Plan

N/A

Purpose

To present the 2010 Draft Council Budget and Draft Council Corporate Budget for consideration.

Background - Analysis and Options

At the Council meeting of April 23, 2007 Council approved a rate of \$0.50 per resident for the purpose of calculating discretionary expenditures for the Mayor and Members of Council. Local Councillors' discretionary expenditures are based on estimated current ward populations.

York Region's recently released city-wide population estimate of 281,100 was used for the purpose of calculating ward populations. Additional population was attributed to each ward on the basis of the relative ward sizes determined during the ward boundary exercise. In this regard, Wards 1, 2, 3, 4 and 5 received 27%, 20%, 18%, 20% and 15% of the additional population respectively.

The Mayor's discretionary expenditures are calculated at 75% of the City's total estimated population and the Regional Councillors' discretionary expenditures be calculated at 50% of the total population. The following are rounded estimated ward populations in 2008 and 2009 and the population increase over 2008:

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	2009 Estimated <u>Population*</u>	2008 Estimated <u>Population</u>	<u>Population Increase</u>
Ward 1	70,100	66,600	3,500
Ward 2	61,150	58,550	2,600
Ward 3	52,000	49,650	2,350
Ward 4	54,750	52,150	2,600
Ward 5	43,100	41,150	1,950
	-----	-----	-----
Total	281,100	268,100	13,000

(*Note: Population figures rounded to nearest 50)

The approved 2010 operating budget guidelines provided for automatic 10% reductions in specific line items i.e. (meals, overtime, office furniture & equipment, sundry and travel). Accordingly, the 2010 discretionary council budgets were adjusted. These adjustments were calculated by applying the automatic 10% reduction to the amounts allocated to specific line items by Members of Council in their 2009 budgets.

The following therefore summarizes the method used for calculating the Council budget:

Non-discretionary expenditures (remuneration, benefits, incidental expenditures, shared photocopier)
+ Discretionary expenditures (applied population x \$ 0.50)
- <u>Budget guidelines adjustments (e.g. 10% reductions)</u>
= 2010 Council Budget

The population number used for calculating the Mayor's discretionary expenditure is 210,825 (75% of 281,100). The population number used for calculating the Regional Councillors' discretionary expenditure is 140,550 (50% of 281,100).

Attachment 1, Draft 2010 Council Budget, is the detailed calculation for each Member of Council using the above methodology. The following is a summary of the 2010 Council budget, including the budget increase over 2009:

	2010 <u>Draft Budget</u> \$	2009 <u>Budget</u> \$	<u>Budget Increase</u> \$
Mayor Jackson	252,111	249,433	2,678
Regional Councillor Frustaglio	163,401	161,281	2,120
Regional Councillor Ferri	163,954	161,281	2,673
Regional Councillor Rosati	163,591	161,281	2,310
Ward 1 Councillor Meffe	129,161	127,531	1,630
Ward 2 Councillor Carella	124,346	123,506	840
Ward 3 Councillor Di Vona	119,704	119,056	648
Ward 4 Councillor Yeung Racco	120,862	120,306	556
Ward 5 Councillor Shefman	115,176	114,806	370
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Total	1,352,306	\$1,338,481	\$13,825

Note: budget calculations based on population may be subject to a redistribution for December 2010, depending on the outcome of the Ward Boundary Appeal.

2010 Draft Council Corporate Budget

In accordance with the approved 2010 Operating Budget Guidelines, 10% reductions have been made in the meals, furniture and sundry line items in the Council Corporate Budget (Attachment 2). The overall Draft Council Corporate Budget for 2010 is \$117,450, a 2.9% decrease from 2009.

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For the assistance of members in reviewing the Draft Council Corporate Budget, attached (Attachment 3) is the Detailed Council Corporate Transaction Report for the period ending September 30, 2009. The 2009 Year-To-Date Actual as at September 30, 2009 is \$50,114, which is \$13,385 under budget for the first nine months of the year.

Relationship to Vaughan Vision 2020/Strategic Plan

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

Regional Implications

N/A

Conclusion

That 2010 Draft Council Budget and Draft Council Corporate Budget are presented for Council's consideration and receipt and/or direction.

Attachments

- Attachment 1: 2010 Draft Council Budget
- Attachment 2: 2010 Draft Council Corporate Budget
- Attachment 3: 2009 Detailed Council Corporate Transaction Report

Report prepared by:

Jeffrey A. Abrams, City Clerk

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

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Item 3, Report No. 8, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on November 24, 2009.

**3 WRITTEN SUBMISSION TO BUDGET COMMITTEE
NOVEMBER 3, 2009**

The Budget Committee recommends approval of the recommendation contained in the following report of the Director of Financial Services and Director of Legal Services, dated November 10, 2009:

Recommendation

The Director of Financial Services and Director of Legal Services recommend that this report be received for information.

Contribution to Sustainability

N/A

Economic Impact

There is no economic impact as a result of this report.

Communications Plan

N/A

Purpose

The purpose of this report is to report pursuant to Budget Committee direction of November 3, 2009.

Background - Analysis and Options

On November 3, 2009, Budget Committee resolved that the written submission of Mr. Gino Ruffolo, 149 Fieldgate Drive, Vaughan, L6A 1K4, dated November 3, 2009, be received and referred to staff for a report to be provided to Budget Committee. The written submission refers to an ongoing lawsuit in which the City is a Defendant and Lucia Milani and Rizmi Holdings Limited are Plaintiffs. The written submission attaches two decisions of Mr. Justice O'Marra in the lawsuit, one dated May 20, 2009 being a decision regarding the City's motion for summary judgment, and one dated October 7, 2009 for costs of the motion.

In addition to the material submitted, Council will recall that on October 27, 2009, the City was granted leave to appeal the two Decisions of Mr. Justice O'Marra by the Supreme Court of Justice (Divisional Court), by Mr. Justice Dambrot. The Notice of Appeal has been filed.

The written submission indicated the lawsuit should be disclosed in the City's 2008 Financial Statements and should be included in the 2010 operating budget.

The City's financial statements are governed by and are in accordance with the Public Sector Accounting Handbook as set out by the Public Sector Accounting Board (PSAB).

In regards to this lawsuit, senior management staff consulted with City legal counsel as it relates to the 2008 financial statements. In addition the City's external auditors reviewed this matter and specifically had discussions with both senior management staff and the City's legal counsel.

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Senior management in consultation with the external auditor made a determination that reasonable estimates could not be ascertained for the purposes of the 2008 financial statements. This decision was in compliance with section 3300 of the above referenced PSAB handbook. The appropriate financial disclosure is reviewed annually.

In terms of public disclosure, the City's financial statements include a general provision under Note 15 section (a) that the City is subject to claims, lawsuits and other contingencies and where estimates can be reasonably estimated an accrual is made .

The City's 2008 financial statements received an unqualified audit opinion by the City's external auditors and they were presented at a public Audit Committee meeting on June 29, 2009 and Council on June 30, 2009.

As the matter is before the Court, and the likelihood of a final determination of the lawsuit in 2010 is not expected, therefore no provision has been made in the 2010 Budget.

Relationship to Vaughan Vision 2020/Strategic Plan

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

Regional Implications

N/A

Conclusion

Staff will continue to monitor the matter.

Attachments

None

Report prepared by:

Heather Wilson
Director of Legal Services

Barry Jackson
Director of Financial Services

John Henry
Director of Budget and Financial Planning

Councillor Di Vona declared an interest with respect to the foregoing matter as he may be called as a witness to the subject lawsuit.

Please also refer to Item 4, Report No. 7, Budget Committee.

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- Engaging the Public
- Improving Services
- Practicing Sound Financial Management
- Providing Value for Property Tax Dollars

The 2010 Budget - Value for your Property Tax Dollar

The City of Vaughan has been very successful and has one of the lowest property tax rates in the Greater Toronto Area, while providing quality services to its residents. A founding principle of the 2010 budget was to sustain and in a number of instances improve service with a minimum tax increase. The 2010 budget achieves this objective.

Utilizing the guiding principles the **key messaging** for the 2010 Budget are as follows:

1. Service Improvements /Expansions

To support the needs of a growing community, improvements and the expansion of City services have been proposed in several areas:

- Opening North Thornhill Community Centre
- Hiring firefighters for a new Dufferin/Teston Fire Station
- Expanding road repairs throughout Vaughan
- Implementing community environmental strategies through the Green Directions Vaughan
- Creating an economic development strategy
- Consolidating City services for residents in a Gold LEEDS Civic Centre
- Creating jobs through economic stimulus projects

2. Minimal Cost to the Taxpayer

In 2010, the draft operating budget tax increase is thirty-eight dollars (\$38) to the average residential property. Thirty-eight dollars (\$38) a year is the cost to sustain current service levels and the improvements noted above along with a capital program of forty-nine million dollars (\$49m).

3. Sound Financial Management

As a result of sound financial management practices at the City over the years, the economic recession has had a minimal negative impact on the City's budget and therefore the taxpayers of Vaughan. The City of Vaughan has been recognized for its financial management by others, including the Province of Ontario. These management practices have included:

- Cost containment through freezing and trimming selected expenses
- Reviewing and focusing strategic priorities through detailed planning measures
- Engaging the community to ensure resources are applied to community needs
- Detailed review of additional funding requests
- Building reserves to manage cyclical and economic downturns

The City has been able to demonstrate leadership in financial management, resulting in one of the lowest property tax rates in the GTA, while delivering quality services and maintaining a strong financial position.

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Communicating Key Budget Messages to the Community

The City will be communicating key messages on the draft budget through various communications vehicles. They will be used to deliver the highlights of the 2010 budget process to residents, businesses and the media. These include:

City website – The City website is the City's primary communications vehicle. As the budget process unfolds *editorials and updates will be added* to keep the public informed. To date, the Online 2010 Budget Forum was posted as a special section accessible from the homepage under Featured Links. It was announced through the media. The section includes an introduction to the budget process; the 2010 Operating Budget & Business Planning Guidelines; information on The Economic Challenge, Operating Budget Timetable, Future Outlook, and Continued Budget Process Improvements; and a user comment feature.

Editorial coverage – Information will be provided to the community to inform them about the draft budget, successes, and developments. The budget process will be featured in several stories for publication, including Council columns in local newspapers. Several updates to the Council Priorities Plan posted to the City website will also cover this topic.

E-newsletter – The corporate e-newsletter list with its current circulation of approximately 6,000 will be used to issue e-blasts or bulletins on budget successes, developments, and announcing the budget forum. E-newsletter content will be provided to Members of Council as possible content for their newsletters.

Media Relations - The media will be informed of the budget forum, and any related events, through media advisories and news releases will be issued for all major milestones of the budget process. Story ideas on the 2010 budget and the City's approach to financial management will be promoted to the media. A special media event will take place with local editors and writers to present the budget and facilitate a question and answer session.

The Budget overview will be presented at a Chamber of Commerce event by the Budget Chair/City Manager to inform and engage Chamber members.

Further Opportunities for Public Input – Throughout the budget process, five scheduled Budget Committee meetings are open to the public. In addition, the City of Vaughan is undertaking a number of strategic initiatives which incorporate significant public engagement. Although separate processes, public feedback obtained at these events will migrate into recommendations and the budget decision-making process.

Final Approval – A Special Council meeting will be scheduled before budget approval to provide the public with a final opportunity to comment on the proposed budget.

Relationship to Vaughan Vision 2020

The 2010 Operating Budget is the process to allocate and approve the resources necessary to continue operations and implement Council's approved plans.

Regional Implications

There are no Regional implications associated with this report.

Conclusion

A comprehensive communications effort is in place to communicate to the public key 2010 budget messages and developments.

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Report prepared by

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