

CITY OF VAUGHAN

**EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 29, 2010**

Item 1, Report No. 3, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on June 29, 2010.

**1** **PLANNING FOR THE FUTURE**  
**2011-12 OPERATING BUDGET & BUSINESS PLANNING GUIDELINES**

The Budget Committee recommends:

- 1) That the recommendation contained in the following report of the City Manager, the Commissioner of Finance/City Treasurer and the Director of Budgeting & Financial Planning, dated June 14, 2010, be approved; and
- 2) That the presentation by the Commissioner of Finance/City Treasurer, and presentation material submitted entitled “Financial Master Plan: Planning for the Future, Budget Committee Update”, dated June 14, 2010, be received.

**Recommendation**

The City Manager, the Commissioner of Finance/City Treasurer, and the Director of Budgeting & Financial Planning recommend:

- 1) That the Operating Budget & Business Planning Guidelines, summarized in this report be approved; and
- 2) That Attachment #1 – Operating Budget Timetable, be approved.

**Contribution to Sustainability**

Sustainability by definition focuses on the ability to maintain an activity over an extended time horizon. Budgeting is the process of allocating limited resources to achieve the City’s objectives and established priorities. Responsible budgeting allocates resources in a way that balances current needs and aspirations of the present without compromising the ability to meet those of the future. The proposed operating budget process approach seeks to minimize the current year funding pressures, while meeting the requirements of sustainability.

**Economic Impact**

The economic impact of the Operating Budget will be fully determined after receipt of the departmental operating budgets.

**Communications Plan**

Departments will receive the budget guidelines, instruction package and timetable shortly after the operating budget guidelines are approved by Council. In addition, a kick-off meeting and working sessions will be offered to assist departments in preparing their departmental budgets.

As part of the budget process and integral to building the budget, opportunities for public engagement, consultation and input will be available, and appropriate notice provided. These opportunities consist of the following:

- ❖ Information posted on the City Website
- ❖ A Public Budget Forum and an online presence to obtain community input
- ❖ Business community engagement through a Vaughan Chamber of Commerce event
- ❖ Public Budget Committee/Council meetings held throughout the process
- ❖ A public input meeting prior to final budget approval

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In addition to the above, 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 the budget decision making process.

#### **Purpose**

The purpose of this report is to obtain the Budget Committee's approval for the operating budget & business planning timetable and guidelines. The approach, guidelines and actions recommended represent prudent management practices and are appropriate given the demand for services is increasing, while at the same time the City has very limited resources.

#### **Background - Analysis and Options**

##### **Financial Sustainability a Key Priority**

As a result of the City's long standing dedication to financial management through progressive best practices and prudent policies, the City is in a very strong financial position. The City has always considered increasing taxes as a last resort and through prudent policies, tight budget guidelines and strong leadership the City has provided residents tremendous value by offering some of the lowest property tax rates in York Region and the Greater Toronto Area, while providing high quality services to the community.

As the City moves forward, financial sustainability must continue as one of Vaughan's key priorities. Over the next decade, the City of Vaughan is expected to undergo a tremendous transformation fueled by sustained high growth rates, provincially driven intensification, increasing legislative requirements, and a number of vision based master plans reflecting important community needs. As the City becomes increasingly more sophisticated it will also face increasing financial pressure beyond the many factors currently placing significant strain on the property tax rate to maintain existing service levels (e.g. inflation, growth, collective agreements, contract escalation costs, fluctuating revenues, etc.). These pressures are permanent and often require continuous funding solutions, typically taxation.

##### **Planning for the Future**

Vaughan has always taken the management and stewardship of public funds very seriously and continues to demonstrate financial leadership and discipline ensuring residents receive value for their tax dollars. For several years, the City's rigorous budgetary process has focused on containing costs and implementing best practices, with the goal of developing realistic and responsible financial plans. This year's Budget guidelines continue to build on those core values and successful business practices. Recognizing the challenges that lay ahead, and building on the financial planning efforts to date the budget guidelines now incorporate a future focus to provide citizens with more certainty about the direction of City services, finances, and tax levels. The operating budget guidelines consist of the following actions:

##### **Managing Our Future**

1. Looking to the future with multi-year budgets
2. Reinforce strategic priorities through business planning and measures

##### **Managing Tax Increases**

3. Controlling budget pressures
4. User Fee Reviews to Reduce the tax burden
5. Strict process to evaluate funding requests
6. Zero impact adjustments
7. Exploring opportunities & continuous improvement

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The objective of these actions is to provide the lowest possible tax increase while maintaining the City's service levels. Under these actions, departments are only permitted to include very specific increases, typically related to predetermined agreements, contracts or Council approvals. There is no across the board increase for inflation and no automatic increase for new staffing.

**Fostering Continuous Collaboration**

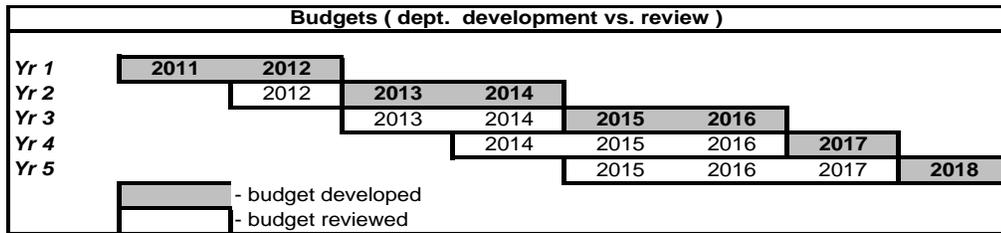
- 8. Early and continuous public participation
- 9. Thorough multi-layered review process

Further details with respect to each of the actions are provided in the following sections.

**1. Looking to the future with multi-year budgets**

New to the budget process is the initiation of multi-year rolling budgets. The City of Vaughan is becoming increasingly more sophisticated with each passing year and there is a need to broaden the budget horizon and unveil the future. This action will provide decision makers with added foresight and ability to proactively grasp future opportunities, address future challenges, and reduce blind spots by understanding the longer-term financial implications of present and past decisions. This is a very strategic approach intended to generate discussion on where the City's future resources should be focused to best support the City's vision, operationalize strategies, generate public value, and address pertinent challenges.

Recognizing this is a new process and given there is a learning curve and added workload involved, a phased in approach is planned. The goal is to achieve a four year rolling budget, starting with a two year rolling budget for this year's budget process i.e. (2011 & 2012) and adding an additional year to each future budget process. This will provide an opportunity to review the process and augment it as required. Over the next 3 years, departments will need to develop two new annual budgets a year and review current and future budgets developed in prior years. For example:



Although there is an additional initial workload associated with multi-year budgeting, preliminary discussions with departments indicate support for this initiative and information. In addition, departments are well positioned as a result of recent internal developments in business planning, master planning, long-range forecasting, etc. Furthermore, base budgets are largely automated allowing departments to focus their efforts on forecasting, and determining if there are future additional resource requirements.

On a final note, it should be recognized that assumptions, estimates and uncertainty will exist and may change as new information becomes available. For this reason, it is suggested that Council approve the current year budget and recognize future budgets. In the following year, a window of opportunity will be provided to review and adjust budgets before approval. After the initial phases are underway budgeting decisions should become easier and flow naturally as future requirements will be known, discussed and adjusted over time before approval.

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#### **2. Reinforce Strategic Priorities Through Business Planning and Measures**

Business Plans will continue as part of the Operating Budget Process to help establish and reinforce connections between strategic priorities, Vaughan Vision 2020, operational plans and resources.

As a result of implementing multi-year budgeting, business plans will need to reflect this timeframe in order to align department objectives, measures, pressures etc. with the budget horizon. This information compliments the budget process and plays an important role in evaluating department efficiency, effectiveness and productivity through the use of objective tracking and performance measures. This information plays a critical role in budget deliberations by providing a platform to better understand department pressures and an objective basis for allocating funding. This is an important step towards aligning budgets with Vaughan Vision strategic goals, objectives, and priorities. The Senior Manager of Strategic Planning will be intricately involved with this process and assist with updates and refinements.

#### **3. Controlling Budget Pressures**

For the 2011-12 Budget process, all account budgets will remain at prior year budget levels with the exception of established commitments and pre-defined external pressures. This action will limit the budget increase to the following items:

- Council approved employment agreements;
- Full year impact of prior year decisions;
- Council authorized recommendations;
- Supported external service contract commitments;
- Established utility & insurance increases, where justified;
- Debenture obligations;
- Defined corporate contingency items;.
- Adjustments related to new harmonized sales tax (HST) rules;
- Reclassifications required supporting new tangible capital asset (TCA) rules.

Additional flexibility in preparing the Recreation budget is required due to fluctuating enrollment numbers, program selections, and community needs. The Recreation budget will be prepared in accordance with established policies and aim to maintain or improve the Recreation department's overall net position and category thresholds.

To ensure that all financial requests are captured and assessed within the approved operating budget process, all items containing an economic impact during the annual budget process are to be submitted to the Budget Committee for review and recommendation before Council consideration.

#### **4. User Fee Reviews to Reduce the Tax Burden**

Another opportunity to minimize a tax increase is to maximize revenue generation through user fees and service charges. It is important to emphasize that any reduction in a user fee or service charge cost recovery ratio will have a corresponding direct impact on the City's levy. Therefore, to minimize any impact on the City's tax rate it is important to sustain or improve revenue/cost relationships. In addition to adjusting revenues for anticipated changes in activity, departments will be required to review user fees and service charges and perform the following:

- ❖ Increase user fees and charges in relation to related department annual cost increases
- ❖ Submit new user fee and service charge opportunities

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As a default, it is anticipated that department user fees & service charges will increase at minimum, by the rate of inflation, in scheduled increments, unless justification for no increase is otherwise specified. The Statistics Canada Ontario core inflation rate increased 1.6% for the 12 month period ending March 2010. The 5 year historical average is approximately 1.9%. The above actions will be submitted for Senior Management review and Council approval.

#### **5. Strict Process to Evaluate Funding Requests**

Under the above guidelines, departments are only permitted to include very specific predetermined increases in their budget. To the extent a department requires additional resources, a separate business case must be submitted detailing strategic links, costs & benefits, implications & consequences, success indicators, timelines, etc. These are referred to as **Additional Resource Requests (ARR)**. The process will separate the Operating Budget into the following two classifications:

- o Base Budget – Budget based on approved guidelines – Minimal tax increase.
- o Additional Resource Requests – Essential funding requests not permitted through the base budget guidelines requiring Council review and approval. Council approval is specifically required for new staff resources, a change in service levels, or new initiatives. Requests are limited to items in excess of \$10,000 or having a net neutral or positive impact.

The objective of the above action is to separate basic operating obligations from items that may require further discussion and decisions.

Determining which resource requests move forward is a very difficult and challenging task as all departments are experiencing challenges associated with maintaining service levels, meeting legislative requirements, and implementing initiatives to move the City forward. Recognizing the value of requests greatly exceed the amount of available limited resources, a prioritization process to evaluate each request based on a blend of associated municipal value and risk criteria is performed. New for this budget process is the implementation of a Director based working group, consisting of representatives from across the City's departments, to evaluate and prioritize additional resource requests for SMT, Budget Committee, and Council consideration. This action is intended to integrate staff experience and involvement, share the challenges associated with prioritization, and enhance corporate knowledge. Only requests approved by Council will be included in the annual budget.

#### **6. Zero Impact Adjustments**

Reclassifications and reallocations in non-labour related accounts are only permitted if they result in a zero impact on the budget. Furthermore, these adjustments are limited to better reflecting the true nature of the expense or more accurately aligning account budgets. There are no impacts associated with these adjustments and the intent is to refine departmental budgets. As part of the budget process reallocations/reclassification will be reported, demonstrating a neutral impact.

#### **7. Explore Opportunities & Continuous Improvement**

As the City continues to to be challenged with limited resources, it is important to develop creative ways to reduce costs, improve efficiencies, and explore revenue opportunities. Taking these steps will help to mitigate the budget pressures the City is facing. This corporate action consists of two separate and unique processes:

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##### ❖ Department Suggestion Program

Through the annual budgeting and business planning process, departments are requested to submit ideas and suggestions to reduce costs, improve efficiencies, eliminate duplication, generate revenues, etc. Any suggestions submitted are provided to the Senior Management Team to be further explored and considered.

##### ❖ Continuous Improvement & Service Reviews

The Audit and Operational Review Committee's mandate includes the following:

- Departmental reviews;
- Structural, functionality, and efficiency reviews; and
- Overall management review

As part of this mandate, a *Continuous Improvement Program (CIP)* was initiated, which is a process the City uses to drive process improvement and identify opportunities.

#### **8. Early and Continuous Public Participation**

Public involvement throughout the budget process is a key element of building the budget and consists of the following:

Early Consultation - Public Consultation will be held early in the budget process to gather community input, which will assist in building the budget. The framework & subject matter of the forum will be relatively consistent with what was offered in the past and focus on the following:

- ❖ Educate and inform the public regarding city services, the cost of those services, municipal issues and their relationship with property taxes; and
- ❖ Obtain input and feedback from the public with respect to the local services provided, community priorities, and options to address the challenge.

Two events will be held, a general public forum and a business community event. These events will be recorded and made available on the City's website for viewing. To obtain additional feedback, a questionnaire will be developed and provided at both the forum and on the City's website. These events will be heavily promoted in various media sources at least three weeks in advance.

Consistent with last year the initial setup and promotion will require support from Information Technology Management and Corporate Communications department. Responding to public input will require an involvement and collaboration from all City departments. Event results will be reported to Budget Committee during the budget process.

Continuous Opportunity for Input - In addition to the Budget Forum, Budget Committee meetings will begin in January and continue throughout the process. These meetings are open to the public and offer an opportunity for the community to provide input. All Budget Committee meeting recommendations are forwarded to Council meetings, which are also open to the public offering another opportunity to provide input into the decision making process.

In addition to the above, 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 the budget decision making process.

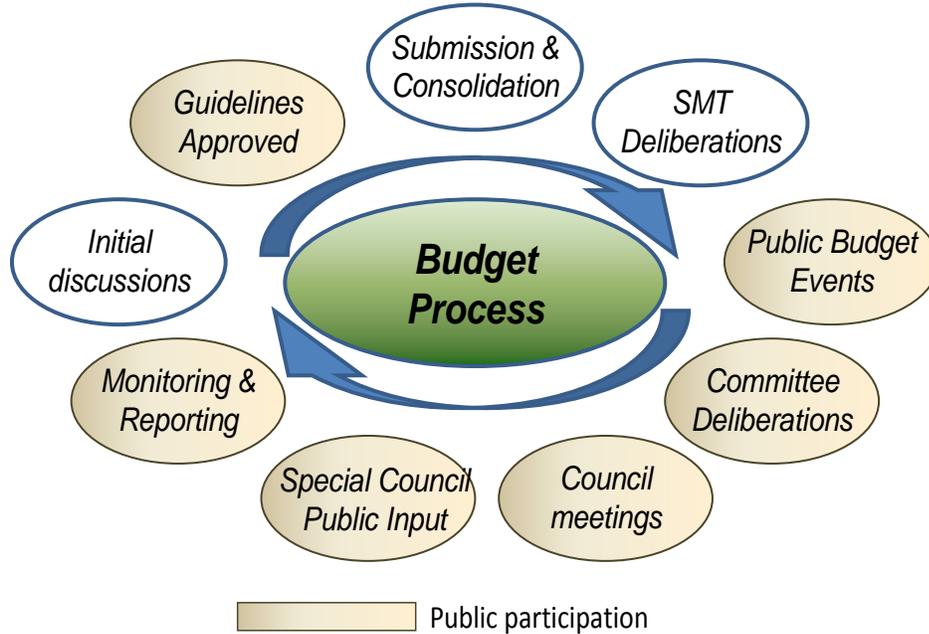
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Final Approval – In addition to these meetings, a Special Council meeting will be held to provide the public a final opportunity to comment on the Proposed Operating Budget.

Illustrated below are the steps in the budget process that involve the public.



**9. Thorough Multi-layer Review Process**

The Budget Process has a very thorough review process and the final budget will consist of many decisions resulting from a variety of review sessions and public input sessions. Illustrated below are the various layers of review that occur and areas involved within Vaughan’s budget process.



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#### Operating Budget Timetable

Staff anticipate bringing forward the first draft of the 2011/12 Operating Budget to the Budget Committee in early January with the intention of a Budget Committee recommendation late February and Council approval in March 2011. This timeline starts later and is slightly longer than usual to accommodate the fall municipal election. Every effort will be made to adhere to the timeline, but issues raised during the budget process could potentially impact the presented timeline. A timetable is enclosed as Attachment #1. Senior Management Team and Budget Committee meeting dates will be scheduled shortly to accommodate this timeline.

#### Future Outlook

As mentioned in the opening paragraph, the City of Vaughan continues to be subject to the many factors that put significant pressure on the property tax rate. The impacts of these pressures are often permanent and therefore require long-term funding solutions to ensure public services are sustainable in the future. To illustrate these pressures, a preliminary basic 3 year outlook will be provided to the Budget Committee in January 2011. The preliminary outlook will be based on general assumptions and trends and excludes impacts associated with future master plan recommendations, much needed additional infrastructure funding, etc.

#### Continued Budget Process Improvements

The Budget Department strives to continuously improve the operating budget process. A strong emphasis is placed on reviewing processes and creating refinements that add value by making the process easier and more informative. Many of these improvements lead to greater efficiencies, thereby allowing management and front line staff to focus more on core operations, planning, budget review and decision making. To that end, some of the more recent significant process improvements for the operating budget process include:

- Received the GFOA Distinguished Budget Presentation Award in 2010.
- Moving to a multi-year budget process to improve financial visibility and provide adequate time to plan for future events
- Greater emphasis on future financial planning rather than administering the budget process;
- Implementing Questica's Team Budget software solution to enhance reporting and analysis
- Developing prioritization models to assist in decision-making & initiating a Directors Working Group to assess and prioritize funding requests, in order to enhance staff involvement and leverage staff knowledge.
- Initiating performance measurement estimates and a performance level standard/best practice to align the measures with the budget year and provide a reference point for stakeholders to better understand the department's situation.

#### Relationship to Vaughan Vision 2020

This report is consistent with Vaughan Vision 2020's long term goal of financial stability through the design of operating budget guidelines intended to produce a responsible budget. The necessary resources have not yet been approved and will be addressed throughout operating budget deliberations.

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**Regional Implications**

N/A

**Conclusion**

The 2011-12 Operating Budget Timetable and Guidelines requires Budget Committee to provide a recommendation to Council in late February 2011 and a public meeting be held in March 2011, followed by Council approval. The enclosed guidelines are presented to provide the lowest possible tax rate increase while maintaining service levels and supporting Vaughan's vision.

**Attachments**

Attachment No. 1 – Operating Budget Timetable

**Report prepared by:**

Barbara Cribbett, CMA  
Commissioner of Finance/City Treasurer  
Ext. 8475

John Henry, CMA  
Director of Budgeting and Financial Planning  
Ext. 8348

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

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**EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 29, 2010**

Item 2, Report No. 3, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on June 29, 2010.

2

**2011 CAPITAL BUDGET TIMETABLE**

The Budget Committee recommends approval of the recommendation contained in the following report of the City Manager, the Commissioner of Finance/City Treasurer and the Director of Reserves & Investments, dated June 14, 2010:

**Recommendation**

The City Manager, the Commissioner of Finance/City Treasurer and the Director of Reserves & Investments recommends:

That the attached 2011 Capital Budget Guidelines & Procedures and the 2011 Capital Budget Timetable be approved.

**Contribution to Sustainability**

This is not applicable to this report.

**Economic Impact**

There is no economic impact as this is an information item.

**Communications Plan**

Public Notice of Community Input Meetings will be required in January 2011 to inform the public of the dates, times and locations. The Region of York and School Boards will also need to be notified in advance of these dates in order to participate in the presentations.

**Purpose**

The purpose of this report is to inform the Budget Committee of the 2011 Capital Budget Timetable.

**Background - Analysis and Options**

The City of Vaughan Capital Budget process provides a forum for long-term planning and establishing construction and service priorities for the future. The proposed guidelines provide stability and balances the need for service with affordability and the requirement to meet the changing economic conditions.

In preparing the 2011 Capital Budget, departments should focus on projects that maintain a standard of repair and maintenance, general efficiency, generate cost savings, the availability of staff resources to complete their capital plan and the status of the outstanding existing capital projects and the timing of their completion before requesting funding for new projects. In the June 2, 2010 report to Audit Committee "Capital Projects Quarterly Report Ending December 31, 2009", it was noted that there were 458 open capital projects at year end 2009, with approximately \$202,023,918 or 36% unspent, roughly the equivalent of 4 capital budget years. A thorough review of open projects will take place prior to submission of new 2011 requests and priority will be given to a focus on completing outstanding capital projects rather than new funding for additional 2011 projects.

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The objective is to receive public input through Community Budget Forums in January 2011 followed by a report to the Budget Committee in February 2011 for Council approval in March 2011. The purpose of the Community Budget Forum is two-fold: to educate and inform the public and to solicit input from the public into the budget by engaging them in the community.

The 2011 Capital Budget Guidelines & Procedures (Attachment 1) and the 2011 Proposed Capital Budget Timetable (Attachment 2) have been prepared with the objective of an early 2011 approval. All capital projects will be reviewed within the applicable funding source(s) based on the criteria outlined in the 2011 Capital Budget Guidelines & Procedures, corresponding reserve by-laws where applicable and all City of Vaughan financial policies.

**Relationship to Vaughan Vision 2020/Strategic Plan**

This report is consistent with the priorities previously set by Council in Vaughan Vision 2020; particularly Ensure Financial Sustainability.

**Regional Implications**

This is not applicable to this report.

**Conclusion**

Budget Committee review and approve the proposed 2011 Capital Budget Timetable.

**Attachments**

Attachment 1 – 2011 Capital Budget Guidelines  
Attachment 2 – 2011 Capital Budget Timetable

**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 3, Report No. 3, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on June 29, 2010.

**3                    OPERATING BUDGET QUARTERLY REPORT ENDING MARCH 31, 2010**

**The Budget Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance & City Treasurer and the Director of Budgeting and Financial Planning, dated June 14, 2010:**

**Recommendation**

The Commissioner of Finance & City Treasurer and Director of Budgeting and Financial Planning recommends:

That the 2010 First Quarter Variance Report be received for information purposes.

**Economic Impact**

Not applicable

**Communication Plan**

Not applicable

**Purpose**

To report on the year-to-date actual 2010 Operating Budget results versus the calendarized 2010 Operating Budget, as at March 31, 2010.

**Background – Analysis and Options**

The attached first quarter variance report compares the current status of actual departmental and corporate operating results for the three-month period ending March 31, 2010, relative to the 2010 year-to-date operating budget. The year-to-date operating budget is calendarized based primarily on the spending patterns and trends of previous years, as per departmental submissions, and is compared to quarterly accounting results. The intent and focus of this report is to monitor and communicate actual performance to the annual plan and highlight trends and variances beyond specified thresholds.

**First Quarter Overview – Ahead of Budget**

The annual Operating Budget for the City is \$205.4m, of which 75.4% remains to be realized. At the end of the first quarter, the City experienced a \$3.1m net favourable variance on the City's 2010 first quarter net operating budget. This favourable variance is comprised of a \$2.3m favourable expenditure variance and a \$0.8m favourable revenue variance. A detailed report is attached, which provides specific variance detail by department and corporate categories.

It is important to note, the combined favourable variance is not directly indicative of the City's final year-end position; it simply compares the City's actual financial position to the approved budget at a point in time. At this stage in the process it is too early to determine if this favourable position can be sustained as a number of events such as a shifting of trends, timing differences, or unforeseen events in the latter part of the year could easily erode the current position.

The main areas that contributed to the positive \$3.1m variance are summarized below.

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##### City Revenue Variance

Actual revenues were \$77.6m as of March 31, 2010, and represent a \$0.8m favourable variance when compared to the year-to-date expenditure budget of \$76.8m. This variance stems from a favourable position in user fees and service charges and consists of the following items:

- Building Standards fees \$304k favourable, due to organizations submitting early applications to avoid HST implications.
- Fire and Rescue Services have a favourable revenue variance of \$194k favourable, largely due to firefighter application fees, which are mostly offset by associated training and development expenses. A small portion of the variance is related to a higher than anticipated emergency callouts and external mechanical services.
- Recreation revenue \$143k favourable, a result of higher than anticipated York Region Transit ticket sales. Throughout the year this revenue is partially offset by related ticket purchases.
- Enforcement Services \$129k favourable, largely a result of the benefits of the recently implemented Administration Monetary Penalty program, which has accelerated the collection process.
- The above favourable variances were partially offset by a \$162k revenue variance in public works resulting from a delayed Waste Diversion Ontario program payment.
- The remainder of the variance was made up of a variety of minor variances in other departments.

##### City Expenditure Variance Overview

Actual total expenditures were \$50.5m as of March 31, 2010, and represent a \$2.3m favourable variance to the year-to-date expenditure budget of \$52.8m.

The largest component driving the City's favourable expenditure, approximately \$3.2m, is attributed to savings in salaries and benefits resulting from vacancies across many departments and is consistent with figures presented in the 2009 year-end report. Other variances in utilities, materials and supplies and contracts, contributed to the remaining balance. These variances were created by a mixture of planned timing differences and utility savings generated by a mild winter in the early part of the year.

The above favourable department variance was reduced by a \$0.9m unfavourable variance in corporate expenses, of which \$1.2m was related to anticipated salary gapping. In addition, a \$234k unexpected Building Standards Service Continuity Reserve Contribution resulted due to higher than expected application revenue. These variances were partially offset by a \$197k favourable variance in tax adjustments caused by a successful assessment appeal of two subdivisions where additional taxes were collected and \$276k favourable variance in unallocated benefits due to timing differences, which will be distributed before the end of the year. The remaining balance consists of a variety of other minor variances.

##### Variance Summary:

For quick reference purposes, a summary of the variances by major category is provided below followed by explanations for major variances.

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**City of Vaughan  
2010 Operating Budget  
First Quarter Variance Summary**

<u>Revenues</u>	Variance in \$mil
<b><i>Reserves and Other Transfers</i></b>	
Engineering Reserve	(0.3)
Finance - From Capital	0.2
Other	0.1
	<b>0.0</b>
<b><i>Fees &amp; Service Charges</i></b>	
Planning	0.3
Community Services	0.2
Legal & Admin	0.2
Fire & Rescue Services	0.2
Engineering	(0.2)
Other	0.2
	<b>0.9</b>
<b>Other Revenue</b>	<b>(0.1)</b>
<b>Total Revenues</b>	<b>0.8</b>
 <b><u>Expenditures</u></b>	
<b><i>Departmental Expenses</i></b>	
Building Standards	0.2
Information & Technology Management	0.2
Fire & Rescue	(0.2)
Recreation	0.2
Buildings & Facilities	0.8
Parks Operations	0.6
Vaughan Public Libraries	0.4
Other-(various departments)	1.0
	<b>3.2</b>
<b><i>Corporate Expenditures</i></b>	
Tax Adjustments	0.2
Building Standards Reserve Contribution	(0.2)
Unallocated Benefits	0.3
Salary Savings from Turnover	(1.2)
	<b>(0.9)</b>
<b>Total Expenditures</b>	<b>2.3</b>
<b>First Quarter Revenues Net of Expenditures</b>	<b>\$ 3.1</b>

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#### **Specific Variance Explanations:**

Listed below are explanations for significant revenue and expenditure variances. As per prior practice, department explanations are required for all unfavourable variances and any favourable variances in excess of \$100,000. Explanations for corporate revenue and expenditure variances are also included, following the major department variance explanations.

#### **City Manager**

##### Fire and Rescue Services

##### Revenue variance - \$194,448 or 433.9% favourable

The first quarter revenue position has exceeded the year to date budget by 434%. The majority of the favourable variance, approximately \$128k, was mainly attributed to fees collected for new fire fighter employment applications, which on a net department basis were partially offset against the training and development expenditures. In addition, higher emergency call outs due to an increase in motor vehicle accidents contributed another \$44k to the favourable variance. The remaining variance consists of a favourable position in external mechanical services provided to municipalities and a higher demand for fire prevention inspections.

##### Expenditure variance - \$203,045 or 2.5% unfavourable

There were additional expenditures of approximately \$85k in training and development expenses related to fire fighter testing, which is recovered through application fees. In addition, increased fleet testing resulted in additional purchases for small tools and equipment, approximately \$65k. An early order for protective clothing and uniforms occurred earlier than planned, as per the union contract, contributing another \$57k to the variance, but is expected to correct itself by year-end. A \$49k variance was experienced as a result of an under accrued 2009 maintenance expenditure and costs associated with web support renewal and radio operations software support. Increased fire fleet usage, repair and diesel services contributed an additional \$25k variance in materials and supplies.

The above variances were partially offset by a \$90k favourable variance in labor costs resulting from several retirements, parental-leaves and long term disability, including overtime coverage for higher than normal sick time. The remainder of the variance was an equalized combination of minor variances across multiple accounts.

#### **Commissioner of Legal and Administrative Services**

##### City Clerk - Insurance

##### Expenditure variance - \$67,297 or 53.3% unfavourable

The unfavourable variance was a result of an unforeseeable number of claims. It is expected that this will balance itself out by the second quarter. It should also be noted that this variance has a neutral impact as it is counter balanced by a reserve transfer.

##### Legal Services

##### Revenue variance - \$6,656 or 40.5% unfavourable

This variance was a result of lower than anticipated registration fees.

##### Expenditure variance - \$90,212 or 23.9% unfavourable

The unfavourable expenditure variance was a result of greater than forecasted professional fee costs, approximately \$116k, related to the legal fees paid for external legal counsel regarding prosecutions arising from the compliance audits and the appeal of a court decision upholding various City by-laws. These additional costs were not anticipated and are expected to continue. The above variance was offset by savings in labour costs related to a 2009 accrual and budget timing difference.

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Enforcement Services

Revenue variance - \$128,548 or 50.8% favourable

The favourable revenue variance was mostly due to the benefits realized from the Administrative Monetary Penalty program (\$132k). This variance was slightly offset by other minor revenue shortfalls in permits and miscellaneous revenues.

**Commissioner of Community Services**

Community Grants and Advisory Committees

Expenditure variance – \$12,022 or 536.0% unfavourable

The unfavourable variance was a result of distributing grants to various seniors clubs earlier than projected. This variance will adjust itself in the second quarter.

Recreation

Revenue variance - \$143,042 or 3.8% favourable

The favourable revenue variance was primarily due to higher than expected York Region Transit ticket sales, approximately \$157k. This trend is expected to continue as ridership increases, but is difficult to predict to what extent. Other smaller favourable variances were experienced in rents, concessions and advertising. The above variances were slightly offset by revenue shortfalls in programs and rentals..

Expenditure variance - \$217,996 or 5.7% favourable

The favourable variance was mainly attributable to salaries and benefits caused by a \$110k 2009 accrual and budget timing difference and a \$31k savings due to staff vacancies. A \$63k favourable variance was also experienced in York Region Transit ticket purchases due a timing delay in receiving invoices. Minor variances were also experienced in materials and supplies, contractor and contractor material, copier lease charges, and various other accounts.

The above favourable variance was partially offset by unfavourable variances in printing costs caused by increased promotion of the North Thornhill Community Centre and unexpected higher bank charges.

Building and Facilities

Expenditure variance - \$824,450 or 18.8% favourable

The overall favourable variance was comprised of many favourable variances. Salaries and benefits savings related to six temporary vacancies generated the largest favourable variance, approximately \$348k. Utility expenses (Hydro, water and gas) were also favourable by \$280k as a result of a mild winter, conservation practices and payment timing issues for Hydro (\$157k). Lower than expected garbage disposal services caused by efficient recycle and waste diversion practices added \$48k to the variance. The remainder of the savings was in various accounts and generally associated with maintenance projects, which were delayed to focus on Infrastructure Stimulus Program projects.

Parks Operations

Expenditure variance - \$635,141 or 27.3% favourable

The favourable expenditure variance was largely a result of salaries and benefits savings of \$398k related to unpaid leave of absences, positions filled later than anticipated, delayed crew card time entries, etc. Contract timing differences, which will be corrected in future quarters, contributed \$183k to the favourable position. In addition, a \$77k savings was experienced in utilities due to a mild winter and an invoice timing delay. The above total favourable variance was partially offset by a \$100k variance in machine time due to data entry duplication, which will be corrected in future quarters. The remainder of the favourable variance consists of minor savings in materials, promotion, and other accounts.

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Parks Development

Expenditure variance - \$31,670 or 12.7% unfavourable

The unfavourable expenditure variance was mainly due to \$38k labour costs charged erroneously to the department. These labour costs belonged to Parks Operations. A correcting journal entry will be processed by the second quarter. The remainder of the variance was in professional fees, computer software and copier lease charges related to timing issues and are anticipated to be corrected in the next quarter.

**Commissioner of Planning**

Development Planning

Revenue variance - \$40,750 or 7.9% unfavourable

The variance was due to lower than expected applications for both Zoning By-law Amendments and Site Plan Applications \$32k and \$20k, respectively. The unfavourable variance was partially offset by additional revenue from the Official Plan Amendment Applications submitted during this period, prior to the new Official Plan being completed. It is anticipated that budgeted revenues will materialize as forecasted before the end of the year, barring any unforeseen events or market conditions.

Building Standards

Revenue variance - \$304,167 or 18.5% favourable

The favourable building standards revenue variance was a result of higher than anticipated building permit volumes received during the first quarter. This may be due in part to the Provincial Government's announcement of the HST.

Expenditure variance - \$232,847 or 16.6% favourable

The majority of the favourable expenditure variance was related to temporary vacancies which have resulted in savings in the salary, benefits, overtime and associated accounts, including office equipment, computer hardware and software, and training and development.

**Commissioner of Economic and Technology Development and Corporate Communications**

Information Technology Management

Expenditure variance - \$199,354 or 13.3% favourable

The favourable expenditure variance was largely a result of \$128k in salaries and benefits savings related to staff vacancies. Furthermore, professional fees were \$78k lower than expected caused by project timing differences, which are expected to occur before the end of the year. The above variances were partially offset by a \$65k unfavourable variance in service contracts due to a higher than anticipated workload related to time sensitive projects. The balance of the variance consists of a mixture of variances in other accounts such as communications, training and development etc.

**Commissioner of Engineering and Public Works**

Development and Transportation Engineering

Expenditure variance - \$134,719 or 16.7% favourable

The favourable variance was primarily a result of labour savings, approximately \$151k. During the first quarter of 2010, there were five vacancies. Two of these vacancies have been filled, one vacancy is to be filled shortly and the other two positions are in the job evaluation process. It is expected that the remaining vacancies will be filled by the end of 2010. The favourable variance was slightly offset with contractor services that will be charged back to developers and other minor accounts.

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##### Public Works-Operations

###### Revenue variance - \$161,918 or 343.1% unfavourable

The unfavourable revenue variance was caused by \$157k delayed payment from York Region for the Waste Diversion Ontario program. Full payment was received in the second quarter. The remainder of the variance was for minor accounts that did not meet revenue targets.

##### Vaughan Public Libraries

###### Expenditure variance - \$372,533 or 13.3% favourable

The variance was caused by a \$224k favourable variance in salary and benefits and was a result of a 2009 accrual and budget timing difference and associated staff turnover, leave of absences and replacement wage differentials. In addition, book resource costs were lower than expected by \$126k resulting from a processing delay with a new primary book vendor. The remainder of the variance was a combination of higher than planned material processing costs for unanticipated radio frequency identification tag purchases and savings in various accounts such as general maintenance, professional fees, and copier lease charges etc.

##### Corporate Revenues

###### Payment in lieu/other

###### Revenue variance - \$25,878 or 3.1% unfavourable

These variances are due to the timing of final PIL billings, which will be calculated and collected in second and third quarter.

##### Reserves and Other Transfers

###### Revenue variance - \$16,235 or 0.9% unfavourable

Revenues from reserves were unfavourable largely due to transfers from the engineering and fleet management reserves being under budget by approximately \$276k and \$60k, respectively as a result of lower than forecasted departmental expenses. A \$50k building standards service continuity variance also occurred as a result of higher than anticipated building standards revenues, which reduced the need to draw on the reserve balance.

The above unfavourable variance was largely offset by a \$237k finance from capital reserve variance caused by higher than anticipated administration fees from capital projects. The remaining variance was mostly offset by a \$67k insurance reserve favourable variance due to higher than budgeted insurance requirements and a \$63k Parks Development reserve variance to cover higher than planned expenses.

##### General Corporate Revenues

###### Revenue variance - \$62,882 or 1.6% unfavourable

The unfavourable variance is largely a result of lower Hydro investment income, approximately \$95k, and other minor account variances.

##### Corporate Expenditures

###### Corporate and Election Expenditures

###### Expenditure variance - \$953,676 or 23.5% unfavourable

The majority of the unfavourable variance consists of the following four explanations:

1. A \$1.2m unfavourable variance was experienced in salary gapping and was anticipated since salary savings are budgeted corporately, but realized within individual departments. This variance will continue to increase throughout the year and naturally offset the actual salary savings realized within departments.

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2. An unfavourable variance of \$234k for Building Standards reserve contributions resulting from a combination of lower than anticipated expenditures and higher building code permit revenues. Bill 124 imposes cost and price restrictions on the building code permit fees to the extent that revenues cannot exceed reasonable and anticipated costs. For this reason the revenue surplus was transferred to the reserve to provide future service continuity, as per the City's policy.
3. A \$276k favourable variance in unallocated benefits was experienced due to process timing differences and will be reconciled and adjusted at year end when future benefit adjustments are made. .
4. A \$197k favourable variance in tax adjustments was experienced and largely due to the successful conclusion of a City initiated assessment appeal of two development subdivisions, whereby assessment value was increased and additional property taxes collected. The remainder of the variance was related to professional fees due to costs for ongoing compliance audits among other areas.

**Relationship to Vaughan Vision 2020 / Strategic Plan**

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

**Regional Implications**

None

**Conclusion**

Based on the 2010 quarter ending March 31, 2010 there was a favourable variance of \$3.1m. It is very early in the year, but if trends continue and barring any unforeseen events, it's likely that our year-end position will be favourable. Over the past few years, the operating budget has relied on a prior year's surplus of \$2.5m to assist in balancing the budget. At this point in time, indicators suggest that 2010 will not be different than previous years.

**Attachments**

Attachment 1: First Quarter Variance Report

**Report prepared by:**

John Henry, CMA  
Director of Budgeting and Financial Planning  
Ext. 8348

Ursula D'Angelo, CGA  
Manger of Operating Budgets  
Ext. 8401

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

CITY OF VAUGHAN

**EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 29, 2010**

Item 4, Report No. 3, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on June 29, 2010.

**4                    CAPITAL PROJECTS QUARTERLY REPORT ENDING MARCH 31, 2010**

**The Budget Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance & City Treasurer and the Director of Reserves & Investments, dated June 14, 2010:**

**Recommendation**

The Commissioner of Finance & City Treasurer and the Director of Reserves & Investments recommends:

- 1) That this report be received for information purposes.

**Contribution to Sustainability**

This is not applicable to this report.

**Economic Impact**

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

**Communications Plan**

Not Applicable.

**Purpose**

The purpose of this report is to provide Budget Committee with the 2010 first quarter update on the financial status of all approved capital projects and reserves and reserve fund balances.

**Background - Analysis and Options**

The Reserves and Investments department is responsible for:

- Managing capital processes on an ongoing basis to provide departmental management with the information to ensure that their projects are completed within their approved budgets
- Ensuring the appropriate approvals are obtained if circumstances determine additional funding is necessary
- Maintaining reserve and reserve fund balances to ensure required funding is available to finance all approved capital projects
- Providing quarterly financial updates to Council

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

Attachment 1 provides the Budget to Actual Status for all currently approved and active capital projects as at March 31, 2010. It is important to note that while a capital work plan may be complete (the road done or the park built) the project is still considered active until all invoices are paid and all funding completed. It should also be noted that this report is a financial representation of payments made to March 31, 2010 and is not an indication of the percentage

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### EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 29, 2010

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completion of capital work-in-progress. This information is compiled at a point in time and as capital work plan information is continuously changing current information may vary from this report.

Reserves & Investments has reviewed the Budget to Actual Status report as at March 31, 2010 and provides the following analysis:

- there are 532 open capital projects with a capital budget value of \$567 Million
- of the 532 open capital projects 119 capital projects with a capital budget value of \$50.1 Million were approved in 2010
- to date approximately 59% of this capital budget has been spend (payments processed)
- capital work-in-progress to be completed is valued at approximately \$235 Million
- 57 projects were closed in Q1 2010 releasing \$3.4 Million in funding for future projects (funding returned to the original funding source)

Reserves staff together with the operational departments reviewed all active capital projects listed as at March 31, 2010 to determine which capital projects could be consolidated and/or closed in order to ensure compliance with the new PSAB reporting standards. A complete list of closed capital projects as at Q1 2010 is provided as Attachment 3.

Attachment 2 provides the Reserves Continuity Schedule as at March 31, 2010. This schedule provides information on the individual and aggregate reserve balances and the outstanding financial commitments required to fund approved projects. These commitments also include any payments required in future years where approved multi-year payment agreements exist. The balance available after commitments is compiled at a point in time and as reserve activity is ongoing the current available balances may vary from this report.

#### **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**

Not Applicable.

#### **Conclusion**

The Capital Projects Quarterly Report ending March 31, 2010 Budget Committee with the financial status of all approved capital projects and reserve balances as at March 31, 2010. The Budget to Actual Status Report and Reserves Continuity Schedule provide point in time information to provide assurance of ongoing management of approved capital projects and the reserves required to fund them.

#### **Attachments**

Attachment 1 – Budget to Actual Status Report by Department as at March 31, 2010  
Attachment 2 – Continuity of Reserves & Reserve Funds Schedule as at March 31, 2010  
Attachment 3 – List of Capital Projects Closed in Q1 2010

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**EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 29, 2010**

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**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.)

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 29, 2010**

Item 5, Report No. 3, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on June 29, 2010.

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**5                    THE CONSOLIDATED SIX YEAR WATER FINANCIAL PLAN (2010-2015)**

The Budget Committee recommendation was dealt with and adopted at the Special Council meeting of June 15, 2010 under Minute No. 107.