

CITY OF VAUGHAN

**EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 5, 2011**

Item 1, Report No. 9, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on April 5, 2011.

**1** **COUNCIL EXPENDITURE BUDGETS**  
(Deferred)

**The Finance and Administration Committee recommends:**

- 1) **That the Council Budgets Task Force be reconvened for the purpose of reviewing the Councillor office expenditure budgets recognizing the needs of Local Councillors; and**
- 2) **That a revised proposal increasing Local Councillors' budgets be submitted no later than April 1, 2011.**

Recommendation of the Finance and Administration Committee of March 21, 2011

The Finance and Administration Committee, at its meeting of March 21, 2011 (Item 2 Report No. 8), recommended the following:

The Finance and Administration Committee recommends:

- 1) That this matter be deferred for consideration to the Finance and Administration Committee meeting of March 28, 2011; and
- 2) That communication C3, Member's Resolution submitted by Regional Councillor Rosati, dated March 21, 2011, be received.

Recommendation of the Finance and Administration Committee of March 8, 2011

The Finance and Administration Committee, at its meeting of March 8, 2011 (Item 3 Report No. 6), recommended the following:

That this matter be deferred for consideration to the Finance and Administration Committee meeting of March 21, 2011.

*Consideration of this matter was deferred to the March 8, 2011, meeting due to the meeting of March 1, 2011, being adjourned.*

Recommendation of the Finance and Administration Committee of February 22, 2011

The Finance and Administration Committee, at its meeting of February 22, 2011 (Item 2 Report No. 4), recommended the following:

That this matter be deferred for consideration to the Finance and Administration Committee meeting of March 1, 2011.

Report of the Council Budgets Task Force, dated February 22, 2011

**Recommendation**

The Council Budgets Task Force recommends:

1. That Option #6 as described in the attached report be approved; and
2. That the Council Member 2011 budgets be adjusted accordingly.

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**Contribution to Sustainability**

N/A

**Economic Impact**

There are no economic impacts of this report, as the option proposed by the Council Budgets Task Force does not result in an increase in overall Council budgets.

**Communications Plan**

N/A

**Purpose**

The purpose of this report is to convey to the Finance and Administration Committee the Council Budgets Task Force's preferred option for allocating funds to discretionary Council Member budgets.

**Background - Analysis and Options**

On February 7, 2011, the Finance and Administration Committee recommended that a sub-committee composed of Councillors Carella, DeFrancesca, Iafrate and Racco be established to address the issues raised by Members of Council with respect to Council Expenditure Budgets. The sub-committee was directed to report back to the Finance and Administration Committee meeting of February 22, 2011.

The sub-committee (the Council Budgets Task Force) met on February 11<sup>th</sup> and February 16<sup>th</sup> to consider options that would address the issue of allocation of budget funds to Council discretionary budgets.

Following the discussion at the February 11<sup>th</sup> meeting, Finance staff provided 7 options for the Task Force's consideration on February 16<sup>th</sup>. The options illustrated various methodologies for allocating additional funds to the Ward Councillors.

The Council Budgets Task Force has recommended Option #6, as set out in the attached report. Pursuant to the Procedural By-law, a matter considered by a sub-committee that requires a decision of Council shall be separately reported to the appropriate committee, which is the purpose of this report.

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

N/A

**Regional Implications**

There are no Regional implications associated with this report.

**Conclusion**

The Council Budgets Task Force's has recommended Option #6, as set out in the attached report.

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**Attachments**

Attachment 1 - Report to the Council Budgets Tax Force Meeting – February 16, 2011

Attachment 2 - Communication C3, Member's Resolution submitted by Regional Councillor Rosati, dated March 21, 2011

**Report prepared by:**

Barb Cribbett, CMA  
Commissioner of Finance/City Treasurer

(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. 9, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on April 5, 2011.

**2** **PROPOSED 2011 CAPITAL BUDGET**

(Deferred)

- 1) That this matter be deferred for consideration to a Finance and Administration Committee meeting scheduled for April 1, 2011, at 9:30 a.m.;
- 2) That the information requested by the Committee be provided to Members of Council for review and consideration on the Thursday prior to the meeting;
- 3) That the following deputations be received:
  1. Mr. David Benning, Glen Shields Soccer Club, 75 Lady Fenytrose Avenue, Thornhill, L6A 0E1; and
  2. Mr. Mark Ambrosini, 14 Oakdale Road, Maple, L6A 1J1; and
- 4) That the following communications and schedules be received:
  - C1 Commissioner of Engineering and Public Works, "Draft 2011 Capital Budget – Committee Information Request, Toronto-York Spadina Subway Extension Request, Committed Capital Projects/Funding", dated March 21, 2011;
  - C3 Commissioner of Finance/City Treasurer, "Draft 2011 Capital Budget – Committee Information Request, Proposed 2011 Capital Budget", dated March 28, 2011;
  - C5 Commissioner of Community Services, "Draft 2011 Capital Budget – Committee Information Request, Temporary Soccer Fields on City of Vaughan Hospital Lands", dated March 28, 2011; and
  - C7 Commissioner of Planning, Schedule 1 – Urban Structure and Schedule 2 – Natural Heritage Network.

Recommendation of the Finance and Administration Committee of March 21, 2011

The Finance and Administration Committee, at its meeting of March 21, 2011 (Item 3, Report No. 8), recommended the following:

The Finance and Administration Committee recommends:

- 1) That this matter be deferred for consideration to the Finance and Administration Committee meeting of March 28, 2011; and
- 2) That communication C4 from the Commissioner of Community Services, Draft 2011 Capital Budget – Committee Information Request, Concord Thornhill Regional Park Artificial Turf – Public Private Partnership, dated March 21, 2011, be received.

Report of the Commissioner of Finance/City Treasurer and the Director of Reserves & Investments, dated March 21, 2011

**Recommendation**

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

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1. That the attached Summary of Changes or Requests for Additional Information to the Proposed 2011 Capital Budget be reviewed; and
2. That subject to amendments to the 2011 Proposed Capital Budget by the Finance & Administration Committee, that the Proposed 2011 Capital Budget be recommended to Council for adoption at the April 5<sup>th</sup>, 2011 Special Council Meeting.

**Contribution to Sustainability**

Not applicable

**Economic Impact**

The attached Summary of Changes or Requests for Additional Information to the Proposed 2011 Capital Budget illustrates the additional funding requirements for capital projects included in Committee Information Requests that have been provided to Committee during the 2011 Capital Budget Discussions. The attachment indicates that funding all of the additional projects would result in an adjustment to the 2011 Operating Budget to raise additional tax funding of \$1,391,933, and a deficit of \$424,970 in the Parks Infrastructure Reserve.

**Communications Plan**

Not applicable

**Purpose**

The purpose of this report is to provide Committee with a summary of the financial impact of the additional capital projects that have been the subject of requests for information from the Finance & Administration Committee.

**Background - Analysis and Options**

A number of Committee Information Requests relating to capital projects have been provided by staff as directed by the Finance & Administration Committee. To assist the Finance & Administration Committee with its capital budget deliberations, staff has summarized the financial impact of capital projects by the required funding source (Attachment 1).

In an effort to determine if there was additional funding available, staff have reviewed previously approved projects funded from the Parks Infrastructure Reserve and Taxation that are scheduled to be closed. Staff have identified \$100,000 unspent from previously approved taxation funded projects scheduled to be closed. There are no additional funds available from Parks Infrastructure Reserve funded projects. The proposed 2011 Capital Budget presented by staff had \$471,997 in unallocated taxation funding. As a result of the review of projects scheduled to be closed, the unallocated amount available from taxation has increased to \$571,997. Approval of taxation funded capital requests in excess of \$571,997 would have an additional impact on the 2011 Operating Budget.

On March 8, 2011, the Finance and Administration Committee recommended that:

*“That the Finance and Administration Committee support and endorse the Vaughan Public Library Board’s recommendation to construct a 6,000 to 10,000 square foot library in the Thornhill Woods Community in 2011 and recommends that the library be constructed at the North Thornhill Community Centre site.”*

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The approval of the Thornhill Woods Library and the requirement to fund 10% of the project from non-development charge sources reduces the available taxation funding from \$571,991 to \$211,697.

The balance of the projects described in the attached Committee Information Requests are listed on Attachment #1 as “Other Requests”.

Subject to the Finance & Administration Committee amendments to the 2011 Capital Budget, the Proposed 2011 Capital Budget will be recommended for adoption at the April 5<sup>th</sup> Special Council meeting.

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

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

**Regional Implications**

Not applicable

**Conclusion**

The purpose the report was to assist the Finance & Administration Committee with its capital budget deliberations by summarizing the potential financial impact of capital projects, if approved.

Subject to amendments to the proposed 2011 Capital Budget by the Finance & Administration Committee, staff recommend that the Proposed 2011 Capital Budget be recommended by the Finance & Administration Committee to Council for adoption at the April 5<sup>th</sup>, 2011 Special Council Meeting.

**Attachments**

- Attachment 1 – Summary of Capital Financial Impact of Committee Information Requests
- Attachment 2 – Finance and Administration Committee Information Requests
- Attachment 3 - Communication C4 from the Commissioner of Community Services, Draft 2011 Capital Budget – Committee Information Request, Concord Thornhill Regional Park Artificial Turf – Public Private Partnership

(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. 9, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on April 5, 2011.

**3 ANIMAL CONTROL SERVICES – BRADFORD WEST GWILLIMBURY AGREEMENT**

**The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Director of Enforcement Services, dated March 28, 2011:**

**Recommendation**

The Director of Enforcement Services, in consultation with the Director of Budgeting and Financial Planning, recommends:

1. That the Draft 2011/2012 Operating Budget for Animal Control Services be adjusted to incorporate the recently signed agreement with Bradford West Gwillimbury (BWG) regarding the provision of animal control services by the City of Vaughan; and,
2. That the illustrated net budget savings be redeployed as an animal control contingency item to cover unanticipated costs during the first year of operations and be revisited during next years 2012 -2014 Budget Process.

**Contribution to Sustainability**

Entering into inter-municipal services with King Township and Bradford West Gwillimbury is intended to reduce the overall cost of providing this service and therefore making it more sustainable. This is accomplished by leveraging economies of scale, cost sharing, and incurring additional financial benefits for the residents of the City.

**Communication Plan**

Not applicable.

**Economic Impact**

Overall, entering into an agreement with Bradford West Gwillimbury will result in an overall \$68,000 net benefit to the residents of Vaughan.

However, recognizing this is the first year of implementing in-house animal control services for Vaughan, it is recommend that the net 2011 animal services budget remain unchanged to provide contingency funds for unanticipated items and that the budget be revisited during the 2012-2014 budget process.

**Purpose**

The purpose of this report is to provide the Finance & Administration Committee with adjustments to be made to the 2011/2012 Operating Budget for Enforcement Services due to the recent agreement to provide Animal Services to the Town of Bradford West Gwillimbury.

**Background – Analysis and Options**

On September 7, 2010, the Council adopted Item 54, Report No 40 of the Committee of the Whole. The recommendations contained in that report were:

1. That a by-law be enacted to authorize an agreement to provide Animal Services to the Town of Bradford West Gwillimbury based on a full cost recovery model and a financial benefit to the City which will positively impact the City's cost of providing animal services, and;

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2. Should an agreement be reached, the Draft 2011/2012 Operating Budget be adjusted to reflect the associated revenue and service obligations, including the addition of one full-time Animal Control Officer (proposed level E) and one leased vehicle.

An agreement with Bradford West Gwillimbury was reached February 1<sup>st</sup>, 2011.

The agreement with Bradford West Gwillimbury provided a net benefit to the City of \$68,410, based on revenues of \$150,100 and corresponding expenses of \$81,690. The agreement is for a period of 3 years. The below table illustrates the breakdown of the agreement and revised animal control services budget.

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<b>Business Unit 080143 Animal Control</b>	<b>Current 2011 Draft Budget (Vaughan+King Twp.)</b>	<b>Bradford West Gwillimbury</b>	<b>Revised 2011 Draft Budget</b>
<b>Revenues</b>			
Misc Revenues	\$ 3,100	\$ -	\$ 3,100
Rev from Recover Expenses	\$ 156,147	\$ 150,100	\$ 306,247
<b>Total Revenue</b>	<b>\$ 159,247</b>	<b>\$ 150,100</b>	<b>\$ 309,347</b>
<b>Staffing Costs</b>			
Animal Control Officer (2 + 1)	\$ 172,315	\$ 57,440	\$ 229,755
Animal Control Officer OT	\$ -	\$ 10,000	\$ 10,000
Animal Control Officer (P/T) (1)	\$ 40,125	\$ -	\$ 40,125
Supervisor (1)	\$ 100,930	\$ -	\$ 100,930
Reception (1)	\$ 53,680	\$ -	\$ 53,680
Shelter F/T (2)	\$ 106,795	\$ -	\$ 106,795
Shelter P/T (4)	\$ 133,790	\$ -	\$ 133,790
<b>Sub total Staffing Costs</b>	<b>\$ 607,635</b>	<b>\$ 67,440</b>	<b>\$ 675,075</b>
<b>Other Costs</b>			
Equipment	\$ 15,000	\$ -	\$ 15,000
Cleaning	\$ 15,000	\$ -	\$ 15,000
Pet Food etc	\$ 17,000	\$ -	\$ 17,000
Uniforms	\$ 1,000	\$ 500	\$ 1,500
Disposal	\$ 5,000	\$ -	\$ 5,000
Vet fees	\$ 25,000	\$ -	\$ 25,000
Cell phone	\$ 3,000	\$ 750	\$ 3,750
Training	\$ 1,000	\$ -	\$ 1,000
Vehicle Lease	\$ 30,000	\$ 13,000	\$ 43,000
Rent and utilities	\$ 92,500	\$ -	\$ 92,500
<b>Sub total Other Costs</b>	<b>\$ 204,500</b>	<b>\$ 14,250</b>	<b>\$ 218,750</b>
<b>Total Costs</b>	<b>\$ 812,135</b>	<b>\$ 81,690</b>	<b>\$ 893,825</b>
<b><u>Sub-Total BU 2011 Revised Budget</u></b>	<b><u>\$ 652,888</u></b>	<b><u>(\$ 68,410)</u></b>	<b><u>\$ 584,478</u></b>
Proposed Contingency Expense	\$ -	\$ -	\$ 68,410
<b><u>Total Revised BU 2011 Budget</u></b>	<b><u>\$ 652,888</u></b>	<b><u>(\$ 68,410)</u></b>	<b><u>\$ 652,888</u></b>

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#### Item 3, Finance Report No. 9– Page 4

Given this is the first year of animal control services for the City, it is recommended the \$68,410 benefit be retained in the budget by adding a sundry/contingency expense line to account for unanticipated items, including:

1. The implementation of the Animal Control facility is behind its initial January schedule, and therefore the existing outsource agreement with Kennel Inn has been extended to cover animal services in the interim. This has resulted in increased cost to the City as well as loss of revenue from the delay in implementation of the King Township and Bradford West Gwillimbury agreements. A contingency amount would help to defray the costs of the delayed implementation.
2. As this is the first year of operations, there are a number of costs that are unknown until there is a history of usage at the new City of Vaughan Animal Control facility. These costs can include items such as damage to cages in the field, costs of Veterinary services, costs of food and unexpected vehicle repair/maintenance costs. Contingency funds are required to ensure that these unknown items are covered in the 2011 Budget year.
3. There are additional revenue opportunities from BWG related to pet licensing. These additional revenues were not included in the budget as the level was unknown, but the expectation was that these revenues would be used to offset any unforeseen costs in the first year of operations of the facility. Due to the delay in the launch of the service, the window for receipt of these revenues has been lost due to the timing of licensing activities in the first quarter of the year; therefore the contingency funds are needed for any unforeseen costs that will not be recovered through licensing revenues.

The 2012 Draft Budget will be reviewed later in 2011 during the 2012 - 2014 Budget process. It is expected at that time that additional savings may be incorporated into the animal control annual budget based on the actual costs incurred to that point in 2011.

It should also be noted that the 2011 Draft Budget has already been reduced by over \$46,000 from the 2010 Budget to account for the impact of the agreement to provide animal services to King Township.

#### **Relationship to Vaughan Vision 2020**

This report is consistent with the priorities set out in Vaughan Vision 2020, particular “Ensure Financial Sustainability.

#### **Regional Implications**

There are no Regional implications associated with this report.

#### **Conclusion**

An agreement with Bradford West Gwillimbury was reached February 1<sup>st</sup>, 2011, netting a benefit to the City of approximately \$68,410. As a result, the Draft 2011 & 2012 budget requires the illustrated adjustments to reflect this event. However, due to the uncertainty during the first year of operations of a new service it is recommended that this benefit be reallocated back to the budget for the first year of operations, through a sundry or contingency account, to balance against the many unknown and unanticipated variables. Therefore, the net draft 2011-2012 Animal Control Budget will remain unchanged but will be revisited during the 2012-2014 budget process.

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**Attachments**

None

**Report prepared by:**

Howard Balter, CGA  
Manager, Program Costing & Special Projects

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Item 4, Report No. 9, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on April 5, 2011.

#### **4 IMPACT OF BUDGETING FOR AMORTIZATION AND POST-EMPLOYMENT EXPENSES**

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance/City Treasurer, dated March 28, 2011:

##### **Recommendation**

The Commissioner of Finance/City Treasurer recommends:

That this report be received for information purposes.

##### **Economic Impact**

This report discusses estimated amortization expenses (excluding water and wastewater) and post-employment benefit expenses that are excluded from the 2011 Operating Budget. Ontario Regulation 284/09 of the Municipal Act allows a municipality to exclude amortization expenses, post-employment benefit expenses and solid waste landfill closure and post-closure expenses from the annual budget estimates as long as Council is advised in a report of the excluded expenses. A decision to fund these future-oriented expenses will impact tax rates and user fees.

##### **Communications Plan**

The impact of amortization expenses and post-employment benefit expenses are disclosed on the City of Vaughan annual consolidated financial statements, as required under the new Public Sector Accounting Board (PSAB) standards.

##### **Purpose**

To provide Council with a report discussing the impact of excluding amortization expenses and post-employment benefit expenses in the 2011 Operating Budget, as per Ontario Regulation 284/09.

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

The Province of Ontario enacted regulation 284/09 of the Municipal Act allowing for certain expenses to be excluded from municipal budgets but with a required reporting disclosure.

As of 2009, all municipalities including the City of Vaughan must prepare their Financial Statements under the new Public Sector Accounting Board Standards (PSAB), which require the reporting of the historical cost of the municipality's capital assets, the accumulated amortization and the annual amortization expense on the annual financial statements. Amortization (or depreciation) expense reflects the cost of using an asset over the useful life of the asset. Historically, the City of Vaughan (and other municipalities in Ontario) was not required to budget for amortization expense based on historical costs in annual budgets, but had budgeted for contributions to reserves and capital expenses based on analysis of short-term and long-term replacement cost, and affordability to the taxpayer. As a result of the City's policies, the City has accumulated significant reserves per capita relative to other Ontario municipalities.

Ontario Regulation 284/09 – "Budget Matters – Expenses" states that municipalities may exclude from annual budgets all or a portion of expenses for amortization, post-employment benefit expenses and solid waste landfill closure and post-closure expenses, however, the regulation does require a municipality to prepare a report about the excluded expenses and adopt the report by resolution before adopting a budget. This report must contain the following:

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1. An estimate of the change in the accumulated surplus of the municipality at the end of the year resulting from the exclusion of any of the expenses listed.
2. An analysis of the estimated impact of the exclusion of any of the expenses listed on the future tangible capital asset funding requirements of the municipality.

The City of Vaughan has developed its 2011 Operating Budget (not including water and wastewater) excluding amortization, full post employment benefits and solid waste landfill closure and post closure expenses.

Annual amortization expense can be theoretically compared to annual budgeted contributions to reserves and capital, and annual budgeted debt financing. The challenge with this comparison is that amortization is based on historical cost equally allocated over the estimated life of asset, whereas contributions to reserves and debt financing are more aligned to forecast future replacement costs, capital spending requirements based on multi-year forecasts, assessment of asset condition, available grant programs, etc.

The post employment benefits are certain health, dental and life insurance benefits paid by the City on behalf of its retired employees. The projected benefit obligation and the annual expense required to fully fund the obligation for active employees and retirees is recognized and reflected in the City's annual financial statements, but is not fully funded through the 2011 Operating Budget.

The City of Vaughan's 2011 Operating Budget has been prepared as follows:

1. The 2011 Operating Budget includes reserve contributions of \$10.8 million for capital asset replacement. It does not include an expense for the amortization of tangible capital assets of approximately \$38.5 million.
2. The budget The 2011 Operating Budget does include an expense of \$0.5 for post employment benefits, a portion of the total estimated 2011 post employment benefits cost of \$6.0 million.
3. The City of Vaughan is not subject to solid waste landfill closure and post-closure expenses.

#### Estimate of the Change in Accumulated Surplus

The difference between estimated amortization expense of \$38.5 million and reserve contributions of \$10.8 million indicates a 2011 funding gap of \$27.7 million. The estimated funding gap for post employment benefits is \$5.5 million. In simple terms, the accumulated surplus of the municipality at the end of 2011 would be reduced by \$33.2 million if the City of Vaughan budgeted for amortization expenses and the full cost of post employment expenses.

This reporting requirement has recently been introduced by the Province for all municipalities. However, for the past number of years and prior to any Provincial requirement, Vaughan has been assessing these impacts and developing strategies that have lead to the City's strong financial position.

#### Estimate of Impact of Excluding Amortization and Post Employment Expense

The City of Vaughan recognised the importance of long-range financial planning and an infrastructure funding strategy as far back as 1994, resulting in a substantial increase in both non-discretionary and discretionary reserves. It has been recognized and reported to Council that there is a funding gap between the funds that will be available for infrastructure replacement based on current funding of reserves and other capital funding, and the future funds that will be required.

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The City of Vaughan has been proactively creating an inventory of assets, assessing their useful life, replacement costs and modelling alternative funding strategies. To begin to address the forecasted capital asset funding shortfall, the City has already implemented several initiatives. Policy limiting the use of cash accumulated in reserve funds, and policy regarding the transfer of annual operating surpluses has strengthened the City's discretionary reserve balances. Currently underway is the City of Vaughan Financial Master Plan, which includes the phasing-in of multi-year budgets and analysis of future renewal requirements. Staff continues to work on the infrastructure replacement challenge and plan to bring forward more discussion and policies on this topic later this year as part of the Financial Master Plan report and document. The development of infrastructure funding policies on a go forward basis for new municipal infrastructure will ensure the funding for their eventual replacement is secure, safeguarding the foundation of our community and municipal services.

#### **Relationship to Vaughan Vision 2020**

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**

This report provides the information necessary to provide disclosure under Ontario regulation 284/09 that requires municipalities to report to Council when certain expenses are excluded from the budget and the impact on the overall accumulated surplus of such transactions.

#### **Attachments**

N/A

#### **Report prepared by**

Nancy Yates BComm CA  
Manager of Capital and Asset Management  
Ext. 8984

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Item 5, Report No. 9, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on April 5, 2011.

**5 DRAFT 2011/2012 OPERATING BUDGET UPDATE BASED ON THE MARCH 21<sup>ST</sup> FINANCE AND ADMINISTRATION COMMITTEE RECOMMENDATIONS AND ALTERNATIVES TO FURTHER REDUCE THE BUDGET**

The Finance and Administration Committee recommends:

- 1) That staff review the Additional Resource Requests and consider further adjustments, including other options, to reduce the overall Draft 2011 Operating Budget without impacting current service levels; and
- 2) That the following communications be received:
  - C2 Director of Human Resources, "Item 1, Report #8, Information regarding the ARR #20 for the Learning and Development Specialist", dated March 25, 2011;
  - C4 Commissioner of Legal and Administrative Services and City Solicitor, and the Director of Legal Services, "Draft 2011 Operating Budget – 2011 Additional Resource Requests", dated March 25, 2011; and
  - C6 Senior Manager of Strategic Planning, "Additional Information on Vaughan Vision 2020 Budget Request", dated March 28, 2011.

**Recommendation**

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

- 1) That the following update on the Draft 2011/2012 Operating Budget and associated additional resource requests, based on the March 21<sup>st</sup> Finance and Administration Committee direction, be received for information and discussion purposes;
- 2) That subject to amendments by the Finance & Administration Committee to the 2011 Additional Resource Requests, the Proposed 2011 Operating Budget be recommended to Council for adoption at the April 5, 2011 Special Council Meeting.

**Economic Impact**

As a result of the March 21<sup>st</sup> discussion, the Finance and Administration Committee recommended a number of adjustments to Senior Management Team's (SMT) recommended additional resource requests. These adjustments reduced the overall Draft 2011 Operating Budget's 3.40% tax rate increase, approximately \$39 a year for the average home, to a 2.75% tax rate increase, approximately \$32 a year for the average home.

Although this action resulted in a 2011 budget reduction, a number of the adjustments relate to gapping or deferring requests, which will have an impact on the Draft 2012 Operating Budget. As a result, the Draft 2012 Operating Budget tax rate increase was adjusted by 0.61% from 4.73% to 5.34% or approximately \$64 for the average home.

**Communications Plan**

A statutory public meeting with appropriate notice is required before adopting the Budget. This meeting is scheduled for April 5<sup>th</sup> at 7:00pm and will be advertised according to City policy.

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In addition to the statutory notice, a media release will be developed that articulates the policies, strong management practices and oversight that the City currently has in place to manage revenues and expenses and ultimately provides the residents of Vaughan with value for their property tax dollar through high levels of service and a low property tax in comparison to other municipalities.

#### **Purpose**

This report is intended to provide the Finance and Administration Committee with a Draft 2011/2012 Operating Budget Summary and adjusted additional resource request lists, based on the recommendations provided by the Finance and Administration Committee on March 21<sup>st</sup>.

#### **Background – Analysis and Options**

##### ***Finance and Administration Committee Direction***

On March 21<sup>st</sup>, 2011, the Finance and Administration Committee deliberated on the previously presented Senior Management Team's (SMT) recommended 2011 additional resource requests. The SMT recommendation, including the predetermined base budget increase, represented a tax rate increase of 3.40%, or \$39.44 for the average home in Vaughan. As a result of the discussion, the Finance and Administration Committee recommended the following adjustments to Senior Management Team's (SMT) recommended 2011 additional resource requests:

1. Reduce request #1: Vision 2020 Strategic Plan Update by \$20,000 and present other options on the design and publication of the revised strategic plan.
2. Gap request #3: 7-10 Fire Engine Crew to reflect a 16 week or 4 month training period before the scheduled station opening date of January 1<sup>st</sup>, 2012. This results in a \$633,030 2011 budget reduction. As per the operating guidelines a \$622,830 addition to the 2012 base budget is required to accommodate the full annual operating cost impact less any one-time funding reductions.
3. Defer request #5: On-line Citizen Engagement Survey to 2012. This results in a \$75,000 reduction in the 2011 budget.
4. Defer request #6: Employee Engagement Survey to 2012. This results in a \$50,000 reduction in the 2011 budget.
5. Defer request #7: Public Relations Staff to 2012. This results in an \$83,249 reduction in the 2011 budget.

The total of the above adjustments is \$861,279 reducing the overall Draft 2011 Operating Budget tax rate increase from 3.40% to 2.75%. This adjusts the annual dollar increase to the average home in Vaughan from approximately \$39 to \$32, a \$7 reduction.

##### ***Draft 2012 Operating Budget Implications***

It should be noted that gapping new complements or deferring additional resource requests will have an impact on the Draft 2012 Operating Budget. Although these actions will result in a 2011 budget reduction, they will also increase the Draft 2012 Operating Budget tax increase by 0.61% from 4.73% to 5.34%, or approximately \$64 for the average home in Vaughan.

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**EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 5, 2011**

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***Draft 2011/2012 Operating Budget Update Summary***

To assist the Finance & Administration Committee in their continued budget discussions provided below is a chart illustrating the implications on the Draft 2011/2012 Operating Budget based on the recommendations illustrated in the above sections.

<b>Budget Change</b>	<b>2011 Tax Rate Change</b>			<b>2012 Tax Rate Change</b>		
	<b>%</b>	<b>\$/Home</b>	<b>\$(m)</b>	<b>%</b>	<b>\$/Home</b>	<b>\$(m)</b>
<b><u>Base Budget Change</u></b>						
Original Base Budget	1.08%	12.55	1.46	1.99%	23.73	2.84
7-10 Fire Crew 2012 full year adj.	-	-	-	0.45%	5.37	0.63
<b>Base Budget Sub-total</b>	<b>1.08%</b>	<b>12.55</b>	<b>1.46</b>	<b>2.44%</b>	<b>29.10</b>	<b>3.47</b>
<b><u>ARR Budget Change</u></b>						
SMT ARR Recommendation	2.32%	26.97	3.11	2.74%	32.68	3.91
F&A Committee 2011 ARR adjustments	-0.65%	(7.56)	(0.86)	0.16%	1.91	0.21
<b>Base Budget Sub-total</b>	<b>1.67%</b>	<b>19.41</b>	<b>2.25</b>	<b>2.90%</b>	<b>34.59</b>	<b>4.12</b>
<b><i>City Operations Total</i></b>	<b>2.75%</b>	<b>31.97</b>	<b>3.71</b>	<b>5.34%</b>	<b>63.68</b>	<b>7.59</b>
<i>Hospital Levy</i>	<i>1.36%</i>	<i>15.78</i>	<i>1.83</i>	<i>1.36%</i>	<i>15.95</i>	<i>1.94</i>
<b>Grand Total</b>	<b>4.11%</b>	<b>47.75</b>	<b>5.54</b>	<b>6.70%</b>	<b>79.64</b>	<b>9.53</b>

The adjusted 2011 & 2012 Additional Resource Request Lists reflecting the above changes are provided as Attachment #1.

**Alternatives to Further Reduce the Operating Budget**

In addition to the Finance and Administration Committee's request for staff to provide an Operating Budget Summary and adjusted additional resource request lists, it was also recommended that staff provide alternatives to further reduce the operating budget. To assist the Finance & Administration Committee in their continued budget discussions, staff are providing three alternatives for consideration. Each alternative will be briefly discussed following the below chart.

<b>Alternative</b>	<b>2011 Budget Change</b>	<b>Tax Rate Impact</b>	<b>Cum Tax Rate Change</b>
Current Tax Rate Increase			2.75%
1. Increase Anticipated Labour Savings	\$300,000	0.22%	2.53%
2. Further Review of Additional Resource Requests	Target TBD by Committee		2.53%
3. Hospital Land Levy Phase in Strategy Reconsideration	Target TBD by Committee		2.53%

Please note that financial implications associated with options 2-3 are not available until further direction relating to these alternatives is provided by the Finance and Administration Committee. It should also be noted that multi-year budgeting links the 2011 and 2012 budgets and 2011 adjustments can create slight variances to the 2012 operating budget, as it relates to assessment growth and other estimates. These adjustments will be incorporated in the April 5<sup>th</sup> Special Council consolidated item.

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*Alternative 1 - Increase Anticipated Labour Savings*

Incorporated in the 2011-2012 operating budget is a plan to phase up the corporate anticipated labour savings budget (gapping & turnover) over two years to reflect a churn rate of approximately 3%. Based on preliminary performance and the timing of the budget approval process there is the potential to increase 2011 anticipated labour savings by \$300k. However, this could have an adverse impact on the 2011 year-end position.

*Alternative 2 - Further Review Additional Resource Requests*

On March 21<sup>st</sup>, 2011, the Finance and Administration Committee deliberated on the previously presented Senior Management Team's (SMT) recommended additional resource requests and recommended a number of adjustments to reduce the budget. If further budget reductions are required, the Finance & Administration Committee has the opportunity available to reconsider the additional resource requests and provide further direction. Although this action will result in budget reductions, it may have an impact on the City's ability to deliver existing levels of service or key strategic initiatives.

*Alternative 3 – Hospital Land Levy Phase in Strategy Reconsideration*

Currently the City has been financing the hospital land obligation internally. As a result, overall financial performance has been better than expected, which provides an opportunity to reconsider the timing of the hospital land levy phase-in strategy and extend the phase-in approach. Although, this action will result in an overall 2011 hospital land levy adjustment, it could impact on the 2013 or other future levies and potentially change the City's timetable to recover from this commitment.

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

This report is part of the process of Council setting its priorities for the year.

**Regional Implications**

None

**Conclusion**

This report is provided in response to the Finance and Administration Committee direction on March 21<sup>st</sup>, 2011.

**Attachments**

Attachment 1: Adjusted 2011 & 2012 Additional Resource Request Lists

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(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.)