



**CITY OF VAUGHAN  
SPECIAL COUNCIL MINUTES  
WEDNESDAY, APRIL 1, 2015**

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**CITY OF VAUGHAN**  
**SPECIAL COUNCIL MEETING**  
**WEDNESDAY, APRIL 1, 2015**  
**MINUTES**  
**7:00 P.M.**

Council convened in the Municipal Council Chamber in Vaughan, Ontario, at 7:02 p.m.

The following members were present:

Hon. Maurizio Bevilacqua, Mayor  
Regional Councillor Michael Di Biase  
Regional Councillor Gino Rosati  
Regional Councillor Mario Ferri  
Councillor Tony Carella  
Councillor Rosanna DeFrancesca  
Councillor Marilyn Iafrate  
Councillor Alan Shefman  
Councillor Sandra Yeung Racco

**48. CONFIRMATION OF AGENDA**

MOVED by Regional Councillor Ferri  
seconded by Councillor Carella

THAT the agenda be confirmed.

CARRIED

**49. DISCLOSURE OF INTEREST**

There was no disclosure of interest by any member.

**50. COMMUNICATIONS**

MOVED by Councillor Shefman  
seconded by Regional Councillor Di Biase

THAT Communications C1 to C3 inclusive be received and referred to their respective items on the agenda.

CARRIED

**51. PROPOSED 2015 BUDGET AND 2016-18 PLAN**

MOVED by Councillor Shefman  
seconded by Regional Councillor Ferri

- 1) That the recommendation contained in the following report of the Commissioner of Finance and City Treasurer and the Director of Financial Planning and Analytics, dated April 1, 2015, be approved;

## **SPECIAL COUNCIL MEETING MINUTES – APRIL 1, 2015**

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- 2) That the following be approved in accordance with Communication C1, from the Commissioner of Finance and City Treasurer and the Director of Financial Planning & Analytics, dated March 18, 2015:
  1. That the following report and formal presentation of the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA), for the City's 2014 Budget, be received;
- 3) That pursuant to Council's adoption of the recommendation contained in the report of the Commissioner of Finance and City Treasurer and the Director of Financial Planning and Analytics, dated April 1, 2015, ARR 160-15-01 Project Manager and ARR 160-15-05 Property Manager be removed from the Proposed 2015 Budget and be deferred to the Recognized 2016 Plan;
- 4) That the Budget Task Force consider the following, as set out in Communication C3, from Mr. Henry Ruschin, Rimmington Drive, Thornhill, in their review of the City's Tree Planting Program:
  1. Tree replacement should be ranked by severity of damage on streets;
  2. Criteria used in ranking should be made public;
  3. Schedule for tree replacement by street should be made public;
  4. Planned and actual expenditure reported annually;
  5. Property tax credit for planting own tree; and
  6. Residents pay difference in cost for larger tree size;
- 5) That Communication C2 from the Commissioner of Finance and City Treasurer and the Director of Financial Planning & Analytics, dated March 26, 2015, be received.
- 6) That the following deputations be received:
  1. Mr. Henry Ruschin, Rimmington Drive, Thornhill;
  2. Mr. Lloyd Hall, Rimmington Drive, Thornhill;
  3. Mr. Kevin Hanit, Queensbridge Drive, Concord;
  4. Ms. Mary Bowers, Royalpark Way, Woodbridge; and
  5. Mr. Mariusz Gruba, Kelso Crescent, Maple; and
- 7) That Communication C4, presentation material entitled "Proposed 2015 Budgets and 2016 – 2018 Financial Plans", dated April 1, 2015, be received.

CARRIED UNANIMOUSLY UPON A RECORDED VOTE

### YEAS

### NAYS

Councillor Shefman  
Councillor Yeung Racco  
Regional Councillor Rosati  
Regional Councillor Di Biase  
Mayor Bevilacqua  
Regional Councillor Ferri  
Councillor DeFrancesca  
Councillor Carella  
Councillor Iafrate

### Recommendation

The Commissioner of Finance and City Treasurer and the Director of Financial Planning and Analytics, in consultation with the Interim City Manager and the Senior Management Team recommend:

1. That the presentation on the PROPOSED 2015 Budget and 2016-18 Plan be received; and
2. That the consolidated PROPOSED 2015 Budget as set out in this report, including the impact of excluding non-cash expenses as required by Ontario Regulation 284/09, be approved; and
3. That the 2016-18 Plan as set out in this report be recognized pending the findings of the Budget Task Force that has been created to study options to reduce the recognized plan to a maximum tax rate increase of not more the 3% annually.

### **Contribution to Sustainability**

The City's multi-year budget and financial plan contribute to sustainability by developing a longer term view of the resources required to achieve the City's strategic objectives and established priorities. Responsible planning allocates resources in a way that balances needs and aspirations of the present without compromising the ability to meet those of the future.

### **Economic Impact**

If adopted as presented, the current PROPOSED 2015 Budget and 2016-18 Plan would have the following economic impacts:

**Table 1: Economic Impact of PROPOSED 2015 Budget and 2016-18 Plan**

<b>\$M</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<b>Budget</b>	<b>Recognized Plan</b>		
<b>Gross Operating Expenses</b>	259.1	272.9	281.3	290.4
<b>Less: Non-Tax Revenue</b>	-87.7	-84.8	-84.8	-85.1
<b>Assessment Growth</b>	-3.2	-3.4	-3.8	-4.0
<b>Levy Requirement</b>	168.2	184.8	192.7	201.4
<b>Budget Reduction Target</b>		-11.4	-13.9	-16.9
<b>Net Levy Requirement</b>	168.2	173.3	178.7	184.4
<b>Incremental Levy</b>	4.7	5.1	5.4	5.7

<b>Tax Rate Increase</b>	2.86%	9.65%	4.14%	4.25%
<b>Budget Reduction Target Required</b>		-6.65%	-1.14%	-1.25%
<b>Tax Rate Increase</b>	<b>2.86%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>Tax Bill Change for the Average Home*</b>	<b>\$37</b>	<b>\$39</b>	<b>\$41</b>	<b>\$42</b>

<b>Total Capital Program</b>	<b>\$92.7</b>	<b>\$106.8</b>	<b>\$104.5</b>	<b>\$64.1</b>
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*Note: some numbers may not add due to rounding.*

*\* based on the average home valued at \$587,000*

The PROPOSED 2015 Budget includes an incremental levy requirement that results in a proposed tax rate increase of 2.86%. This reflects incorporation of the budget reduction plan approved by the Finance, Administration and Audit Committee (the Committee) and is significantly less than the 7.14% in the original DRAFT 2015 Budget. This reduction was achieved through efficiencies, new or increased fees, deferring additional resource requests and other corporate adjustments. This was not an easy task and required difficult choices.

Subsequent to the introduction of the DRAFT budget, the Committee passed a motion directing staff to work toward a set target not to exceed 3% per annum for the period of four years. The budget reduction plan presented to the Committee focused on 2015.

As further research and study is required to identify reductions over the remaining three years of the plan, the Committee recommended the creation of a Budget Task Force. The mandate of the Task Force is to study options for the development of a budget reduction plan for 2016-18 to help achieve the Committee's budget direction.

### **Communications Plan**

Working in collaboration with the Corporate Communications department, there were several communications channels used to inform and engage the public throughout the budget process. The plan was designed to increase awareness of City services, promote the ways to get involved, collect feedback and educate residents about the decision-making process for a municipal budget.

A number of tactics were employed to reach that goal including hard-copy promotional materials and ads, online Twitter events and enhanced website content. Flyers and posters highlighting the budget meetings were distributed to City facilities, ratepayers' associations, seniors clubs and seniors' residences to ensure residents were aware of the opportunities to provide input. Public meeting times were also promoted on the front of the interim tax bill insert, which was mailed to every homeowner in February.

Two sets of ads were taken out in local newspapers to promote engagement opportunities, as well as educate residents about where their taxes go. A number of articles were also published with information about the budget. They were complemented by website updates, frequently updated messages on the City's Synthia phone system, graphic slides on Vaughan TV and messages to staff.

The City also used social media to promote the budget process by sending out reminders about budget meetings and the other opportunities to get engaged, tweeting live from all meetings and holding two "Ask the Expert" sessions on Twitter that allowed residents to have their budget questions answered in real time. Information also was shared through the City's corporate, business and Councillor eNewsletters and the blog.

Public consultation is integral to building the budget, which is why every effort was made to provide information in a variety of formats – both print and online – and to ensure residents received it through their preferred channels.

### **Purpose**

The purpose of this report is to provide Council with the PROPOSED 2015 Budget and 2016-18 Plan, which consolidates all of the recommendations of the Committee and direction to staff at the following meetings:

- January 12, 2015
- January 23, 2015
- February 2, 2015
- February 9, 2015
- March 2, 2015
- March 89, 2015

The intent of the report is to recommend the adoption of the PROPOSED 2015 Budget and recognition of the 2016-18 Plan.

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

#### **Financial Sustainability: Always a Key Priority**

The objective of the City's financial planning process is to develop a multi-year budget that balances the need to maintain existing services, accommodate growth requirements and undertake corporate initiatives against the City's capacity to fund them. The City's financial management policies and practices are based on best practices to maintain the City's strong financial position.

As the City of Vaughan continues to grow and adapt to provincially driven intensification, a focus on long-term financial sustainability will be increasingly important. Meeting this objective has required difficult choices to develop financial strategies to address rising operational costs, increasing legislative requirements, infrastructure renewal and replacement costs and the costs associated with implementing the City's various master plans.

## **Municipal Service Provision and Tax Rate Increase Comparison**

Property Taxes on the average home are estimated to be \$1,373 and are the primary source of funding for the many and diverse programs and services provided to residents. Below is a sample of some of the over 200 programs and services provided by the City.

### **Illustration 1: Examples of City Services**

<b>Engineering/Public Works</b>		<b>Parks &amp; Recreation</b>	
Roads - Lane Kms	2,046	Community Centres	10
Sidewalks - Kms	1,122	Fitness Centres	7
Bridges & Structures	181	Theatres	1
Streetlights	25,899		
Traffic Signals	84	Parkland - Hectares	951
Public Works Yards	3	Trails - Km	58
<b>Fire &amp; Rescue Services</b>		Parks	200
Fire Stations	10	Playgrounds	293
Fire Engines/Aerials	16	Tennis Courts	126
Fire Tankers/Rescues/etc.	13	Ball Diamonds (Multi Type)	57
<b>Library Services</b>		Basketball/Playcourts	85
Libraries & Resource Libraries	8	Bocce Courts	64
Library Collection (Items)	522,754	Water Play Facilities	19
		Indoor pool tanks	9
		Indoor Skating Rinks/Arenas	10
		Outdoor Soccer Fields	170
		Skateboard Parks	8

\* Based on 2014 estimates

A comparison of tax rate increases across the Greater Toronto Area demonstrates that Vaughan continues to have one of the lowest tax rate increases among comparator municipalities for 2015. This has been a sustained trend over the last several years as illustrated in the table below. This is evidence of Vaughan providing value for its residents' tax dollars.

**Table 2: Municipal Tax Rate Increase Comparison**

<i>Municipality</i>	<i>2015</i>	<i>Municipality</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>	<i>5Yr Average</i>
<b>Brampton (P)</b>	7.86%	Caledon	4.98%	5.70%	5.24%	10.40%	6.23%
<b>Milton (P)</b>	5.50%	Mississauga	6.10%	7.00%	7.40%	5.80%	6.06%
<b>Aurora (P)</b>	4.96%	Brampton	2.90%	4.90%	4.90%	4.10%	4.93%
<b>Caledon (A)</b>	4.82%	King	2.59%	3.42%	8.90%	5.66%	4.71%
<b>Richmond Hill (A)</b>	4.20%	Milton	3.63%	3.00%	3.60%	4.86%	4.12%
<b>Mississauga (A)</b>	4.00%	Oakville	2.11%	3.01%	6.55%	5.93%	3.99%
<b>Barrie (A)</b>	3.19%	Newmarket	2.72%	3.74%	3.95%	5.89%	3.96%
<b>Burlington (A)</b>	3.65%	Aurora	3.75%	3.42%	4.77%	1.94%	3.77%
<b>Newmarket (P)</b>	3.50%	Barrie	2.03%	3.30%	3.60%	6.50%	3.72%
<b>Markham (P)</b>	2.98%	Burlington	3.50%	4.46%	3.29%	0.90%	3.16%
<b>King (A)</b>	2.97%	Richmond Hill	2.04%	2.50%	2.45%	2.95%	2.83%
<b>Vaughan (P)</b>	<b>2.86%</b>	<b>Vaughan</b>	<b>2.50%</b>	<b>2.69%</b>	<b>2.95%</b>	<b>1.95%</b>	<b>2.59%</b>
<b>Oakville (P)</b>	2.35%	Markham	2.49%	1.50%	1.50%	0.00%	1.69%
<b>Average</b>	<b>4.10%</b>	<b>Average</b>	<b>3.18%</b>	<b>3.74%</b>	<b>4.55%</b>	<b>4.38%</b>	<b>3.96%</b>

### **Operating Budget Summary**

The incremental tax levy requirement is a result of cost pressures, servicing growth and selected investments in new initiatives. Reducing the initial draft budget was challenging and required careful consideration of the balance between maintaining service levels, new initiatives and keeping tax rates low. The funding recommendation is a blend of these ideals, but weighted towards service delivery. Below are a few key highlights:

***Key 2015 Budget Highlights:***

- **Fire Station 7-5 full year implementation supporting community safety**
- **Opening of the new Civic Centre Resource Library supporting information access**
- **Resources to support community parks, community health and wellness**
- **Funding to support community infrastructure repair and renewal projects**
- **City initiatives supporting efficiency and effectiveness goals**

There are many factors that place pressures on the property tax rate, including:

- Inflation and the impact of escalating labour and external contract costs;
- New development and population growth that while positive for the City overall, also create budget pressures because of the costs of providing additional service volume;
- Timing differences between revenue growth and incremental growth-related costs;
- Increasing requirements to set aside adequate funding to pay for the eventual replacement of all of the new community infrastructure that has been put in place;
- Investments required to transform City administration and service delivery to ensure that they are as efficient and effective as possible; and,
- Unique pressures of the current cycle such as the cost to replace trees lost in the December 2013 Ice Storm and need to transition to more sustainable policies for the planned use of reserves and surpluses.

### **A New Perspective: Conceptual Budget Framework**

Budget pressures can be categorized into three main components.

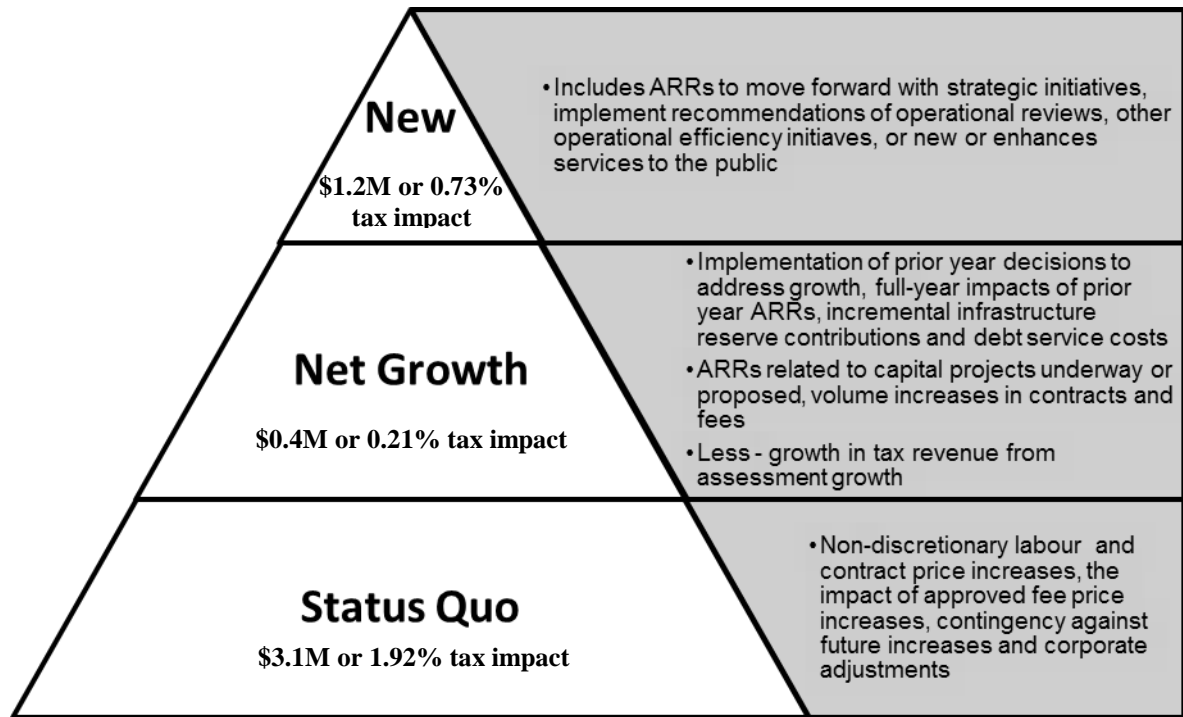
The Status Quo represents pressures related to providing existing levels of service to existing residents, primarily price pressures from pre-determined labour cost increases and material or service contracts.

Growth-related pressures represent the net amount by which the operating costs associated with providing existing levels of services to new residents exceed expected assessment growth.

The final component of the framework consists of proposed funding for additional resources to support strategic, transformational or new initiatives.



Illustration 2: Conceptual representation of PROPOSED 2015 Budget



The following table summarizes the net pressures in the operating budget according to the above framework.

**Table 3: Conceptual Budget Framework: Summary of Net Pressures**

<i>Drivers Of Budget Expenditure Changes:</i>	<i>2015 Budget \$M</i>	<i>2016 Plan \$M</i>	<i>2017 Plan \$M</i>	<i>2018 Plan \$M</i>
<b>Existing Cost Base and Normal Course of Business (Status Quo):</b>				
Economic salary adjustments & progressions	5.5	4.8	3.9	2.9
Negotiated contract price increases, utilities, other	0.5	0.9	0.0	-0.4
New user fees and user fee price increases	-0.2	-0.8	-0.8	-0.8
Net corporate changes	-2.7	5.4	3.0	4.4
<b>Total Existing Cost Base and Normal Course of Business (Staus Quo):</b>	<b>3.1</b>	<b>10.1</b>	<b>6.2</b>	<b>6.1</b>
	1.92%	5.91%	3.21%	3.01%
<b>Growth-Related Incremental Costs:</b>				
<b>Implementation of Previous Decisions:</b>				
Base budget annualization of previous year fire station 7-5 salary gapping	1.0	0.0	0.0	0.0
ARRs tied to community infrastructure (libraries, parks, fire trucks, community centre)	0.4	4.2	3.6	1.7
Debt service level related to Roads Program	0.5	0.4	-1.9	2.7
Community infrastructure reserve contributions	0.9	0.8	2.1	1.1
<b>Subtotal</b>	<b>2.8</b>	<b>5.5</b>	<b>3.7</b>	<b>5.5</b>
<b>Maintain/Growth:</b>				
Base budget increases in contract and utility volumes	0.6	0.2	0.2	0.3
ARRs to support City services	0.4	2.6	1.3	0.3
User fee and service charge volume	-0.2	-0.5	-0.9	-0.2
<b>Subtotal</b>	<b>0.7</b>	<b>2.3</b>	<b>0.7</b>	<b>0.4</b>
<b>Assessment growth:</b>	<b>-3.2</b>	<b>-3.4</b>	<b>-3.6</b>	<b>-3.7</b>
<b>Total Growth-Related Incremental Costs:</b>	<b>0.4</b>	<b>4.4</b>	<b>0.8</b>	<b>2.1</b>
	0.21%	2.57%	0.44%	1.03%
<b>New Initiatives and Service Level Enhancements:</b>				
Organizational transformation initiatives	1.2	1.8	0.8	0.4
New services or enhanced level of services	0.0	0.2	0.2	0.0
<b>Total New Initiatives and Service Level Enhancements:</b>	<b>1.2</b>	<b>2.0</b>	<b>0.9</b>	<b>0.4</b>
	0.73%	1.16%	0.49%	0.21%
<b>Incremental Levy Requirement</b>	<b>4.7</b>	<b>16.5</b>	<b>7.9</b>	<b>8.6</b>
	2.86%	9.65%	4.14%	4.25%
<b>Net Budget Reduction Target</b>	<b>0.0</b>	<b>-11.4</b>	<b>-2.5</b>	<b>-3.0</b>
		-6.65%	-1.14%	-1.25%
<b>Tax Levy Increase</b>	<b>4.7</b>	<b>5.1</b>	<b>5.4</b>	<b>5.7</b>
<b>Tax Rate Change</b>	<b>2.86%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>

Labour costs account for approximately 60% of the City's operating budget. This includes economic adjustments, salary progressions for new and existing staff complements and increasing benefit costs. A contingency against the impact of future labour negotiations and other unforeseen events is also included in the 2016-18 Plan. Further information is provided in Attachment 1, Revenue and Expenditure Summary. In addition, a list of Additional Resource Requests is provided as Attachment 2.

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The following table illustrates how the 2015 incremental levy is distributed among Commissions and major categories.

**Table 4: Conceptual Budget Framework: Summary of Incremental Levy Requirement**

2015 Net Budget Change by Commission/Category	2015 PROPOSED Net Budget Change INC/(DEC) \$M				
	Existing Cost Base and Normal Course of Business	Total Growth-Related Incremental Costs	New Initiatives and Service Level Enhancements	Total 2015 Net Budget Change	Rate Increase (%)
Fire & Rescue	1.8	1.1	0.0	2.8	1.73%
Strategic & Corporate Services	0.6	0.2	0.6	1.4	0.86%
Infrastructure-Related Expenditures	0.0	1.3	0.0	1.3	0.78%
Community Services*	1.0	0.1	0.0	1.0	0.63%
Legal & Administrative Services	0.8	0.0	0.2	1.0	0.60%
Vaughan Public Libraries	0.3	0.4	0.0	0.7	0.45%
Finance & City Treasurer	0.2	0.0	0.3	0.5	0.29%
City Manager	0.1	0.1	0.0	0.2	0.11%
Council, Internal Audit & Integrity Commissioner	0.1	0.0	0.1	0.1	0.09%
Planning	-0.5	-0.3	0.0	-0.8	-0.49%
Public Works	-1.6	0.8	0.0	-0.8	-0.48%
Corporate Other	0.4	-3.2	0.0	-2.8	-1.71%
<b>Total</b>	<b>3.1</b>	<b>0.4</b>	<b>1.2</b>	<b>4.7</b>	<b>2.86%</b>
<b>Tax Rate Impact</b>	<b>1.92%</b>	<b>0.21%</b>	<b>0.73%</b>	<b>2.86%</b>	

\* An interim structure is in place for the departments in Community Services whereby they have been distributed among other commissions pending a Council decision on the leadership and structure of the Community Services Commission.

Aside from the impacts associated with labour cost increases, the incremental changes between the Approved 2014 Budget and the PROPOSED 2015 Budget are primarily a result of:

- Increases to Fire and Rescue Services net expenditures related to the full year implementation of Fire Station 7-5 to support community safety.
- Increases to Strategic and Corporate Services net expenditures, including the Building and Facilities and Fleet departments, as a result of contract volume increases, utility cost increases and the allocation of additional resources for City initiatives that support efficiency and effectiveness goals. These are offset by cost efficiencies that have been achieved in both the Buildings and Facilities and Fleet departments.
- Increases to infrastructure-related expenditures primarily as a result of increased reserve contributions and debt servicing costs in-line with growth in the City's stock of infrastructure, as well as increased funding for Capital from Taxation. It should be noted that through the budget process, the total incremental contribution, as calculated according to the Consolidated Reserve Policy, has been temporarily reduced by 50%. This temporary reduction has been made until Phase 2 of the Corporate Asset Management Initiative is implemented. This initiative will provide more accurate estimates of long-term renewal funding requirements.
- Increases to Legal and Administrative Services budget as a result of increased insurance premiums and additional legal resources. These additional resources would support City initiatives such as development of the Vaughan Metropolitan Centre and the Vaughan Enterprise Zone, and increasingly complex legislative and procurement requirements.
- Increases to Vaughan Public Libraries net expenditures as a result of the scheduled opening of the new Civic Centre Resource Library with the full year impact of this new library to be included in the 2016 budget.
- Increases to Finance Commission net expenditures as a result of additional resources for City initiatives that support efficiency and effectiveness goals.

- Increases to the City Manager's net expenditures, including Recreation and Cultural Services, Economic Development and Corporate Communications, as a result of growth related volume increases and additional resources to support effective public communication.
- Increases to Council, Internal Auditor and Integrity Commissioner net expenditures as a result of calculated increases to council discretionary expenses and additional resources to allow Internal Audit to engage external expertise to complete technical audits.
- Decreases to Planning Commission net expenditures as a result of increases to planning and non-OBC Building Standard fee revenues.
- Decreases to Public Works net expenditures as a result of a reallocation of certain labour costs to the Water/Wastewater/Stormwater budget as a result of an organizational realignment, offsetting increased costs for resources to support new parks and other increases which include contracted price and volume increases.
- Decreases to Corporate and Other net expenditures primarily as a result of assessment growth, increased dividends from PowerStream and increased transfers from reserves, offset by decreases in other investment revenue and supplementary taxation and the impact of the realignment of the Water/Wastewater/Stormwater expenditures between the Public Works Commission and the Water/Wastewater/Stormwater budget.

### Capital Budget Summary

One of the key functions of a municipal government is to ensure that the necessary infrastructure is in place to support a vibrant, sustainable municipality. New capital is a driver of development to entice new residents and businesses to call Vaughan home. Renewal investments are equally important to maintain existing assets in a state of good repair or replace assets at the end of their useful life.

The 2015 Capital Budget and 2016-18 Plan is based on more than 500 projects totalling \$368M, covering a number of departments.

#### *Key 2015 Budget Highlights:*

- **North Regional Maple Park – Phase 1**
- **Kleinberg Church Renovation for community access**
- **Relocation of Fire Station 74 – Kleinburg**
- **Fire training tower**
- **Vellore Village South Library**
- **Carville Community Centre and Park Design**
- **Various road and public works projects**

Below are brief descriptions of some of the capital projects in the 2015 Capital Budget and 2016-18 Plan:

#### Parks (\$41.0M)

In addition to the Carrville District Park discussed below, there are four other major park projects currently in the capital plan.

- North Maple Regional Park (Phase 1 development) includes the construction of two artificial sports fields, a driveway, parking and related site improvements planned for 2015 (\$5.4M)
- Block 40 District Park design and construction, in the Major Mackenzie Drive, Lawford Road and Chatfield Drive area, planned for 2016 (\$3.6M)

- Block 18 District Park, in the Rutherford Road and Peter Rupert area planned for 2017 (\$6.8M)
- Block 59 District Park, in the Highway 27 and Martin Grove area, planned for 2017 (\$5.2M)

In addition to District Parks the plan includes \$22.0M for 36 other parks development projects.

Between 2016-18 about \$1.1M in additional resource requests have been recognized to support new park operating costs.

Block 11 Carrville Community Centre, District Park and Library (\$43.8M)

The Carrville Community Centre is planned to begin construction in 2016. The Community Centre was identified in the 2013 Development Charge Background Study and in Vaughan's Active Together Master Plan. The Centre is expected to have two arenas, a gymnasium, associated amenities and an adjacent district park. A community library is also planned. Project completion is expected in 2017.

Operating costs associated with this facility have been included in the 2016-18 Plan with additional resource request submissions received from Libraries (\$0.6M), Building and Facilities (\$1.3M) and Recreation (\$0.8M).

Black Creek Renewal and VMC Stormwater Management Pond (\$32.3M)

Capital works continue within the Vaughan Metropolitan Centre for the renewal of Black Creek between Highway 7 and Highway 407, including culvert improvements at Doughton Road and Interchange Way. Other works include required improvements to the City's existing storm water management pond at the northeast corner of Jane Street and Highway 7. In total, the expected project costs total more than \$54M. The required works are complex and are expected to continue through to 2019. A financial strategy and design refinement is expected in 2015.

Relocation of Fire Station 74 – Kleinburg (\$6.0M)

This project is for the relocation of Fire Station 74. The new station will be a fully-staffed 9,300-square-foot, two-bay fire station with ancillary offices and crew quarters. Design and construction is expected in 2016 with project completion planned for 2017.

Staffing costs associated with the firefighters for this station are estimated at \$2.1M per year when fully implemented. One cohort of firefighters will be hired in 2016 with a second in 2017. The costs of each cohort will be phased in over two years.

Vellore Village South Library (\$4M)

Design and construction of the Vellore Village Community Library is scheduled to begin in 2015. Project completion is expected in 2016.

Operating costs associated with this facility have been included in the 2016-18 Plan with an additional resource request submission received from Libraries for \$0.6M.

Other projects of interest include:

Kleinberg Church (\$1.0M)

The City purchased the Kleinburg United Church in 2010. This project, expected to be completed in 2015, will include the necessary renovations to allow the facility to be used by local community groups.

Fire – Training Tower (\$1.2M)

This 2015 project will allow Vaughan Fire and Rescue Services to provide training in the latest techniques of firefighting and control of emergency situations. The facility may also be rented out to other fire departments or internal and external stakeholders for their training needs.

City Tree Planting Program (\$1.4M)

Annual funding for the City's two tree-planting programs increased by \$0.4M in 2015. One program

replaces about 1,400 trees per year that have died or have been damaged. The second program is specifically to replace trees infected by the Emerald Ash Borer (EAB). About 500 EAB trees are replaced each year. Due to the 2013 ice storm, a backlog of more than 21,000 trees currently exists. In 2015, one-time funding of \$0.8M has been added to supplement the tree planting program to help address the backlog. The Budget Task Force is expected to study options for addressing the backlog.

#### New Watermains (\$17.9M)

There are five projects for the installation of new watermains in growth areas of the City. These projects are undertaken by developers and paid for by the City as development occurs.

#### Curb and Sidewalk Repair and Replacement (\$7.4M)

The annual curb and sidewalk repair and replacement program involves the removal and replacement of damaged sections of curbs and sidewalks city wide. A requirement under the province's Minimum Maintenance Standards is for the City to complete a sidewalk inventory assessment each year. The information captured from this inventory supports future work plans for the program.

#### Road Rehabilitation (\$37.9M)

The annual program for road rehabilitation includes the resurfacing and rehabilitation of road surfaces. This program also incorporates associated curbs and sidewalks that may be affected by these works. When appropriate, watermain replacement in the planned area is coordinated to help mitigate capital costs and disruption to citizens. The roads rehabilitation program is primarily debt financed.

#### LED Streetlight Conversion (\$6.0M)

The project is to undertake further replacement of residential High Pressure Sodium (HPS) street lights with LED lighting. This project is expected to extend beyond 2019.

The table below provides the total cost of capital projects in the 2015 Capital Budget and 2016-18 Plan by commission.

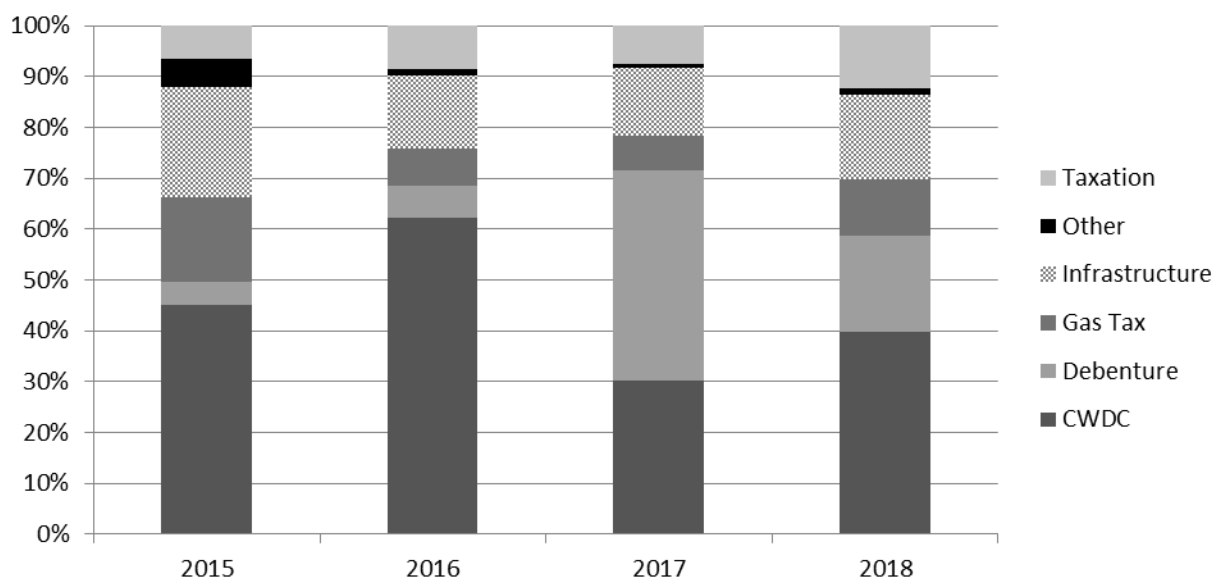
**Table 5: Total Capital by Commission**

<b>Commission (\$M)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Grand Total</b>
<b>Public Works</b>	56.8	42.9	58.6	42.6	200.9
<b>Strategic and Corporate Initiatives</b>	10.6	38.8	25.5	5.7	80.6
<b>Planning</b>	13.6	9.7	12.4	10.6	46.3
<b>City Manager</b>	5.1	8.9	3.5	1.7	19.2
<b>Libraries</b>	5.8	6.3	3.8	3.1	19.0
<b>Legal and Administrative Services</b>	0.4	0.3	0.3	0.3	1.2
<b>Finance</b>	0.4	-	0.4	0.1	0.9
<b>Grand Total</b>	<b>92.7</b>	<b>106.8</b>	<b>104.5</b>	<b>64.1</b>	<b>368.1</b>

*Note: some numbers may not add due to rounding.*

#### Capital Funding

The capital program is funded from various sources. City-wide Development Charges are the primary source of funding for most new infrastructure, ranging between 30% to 60% over the plan. In the later years of the plan, there is an increasing reliance on debentures as a funding source for large capital projects with limited or undetermined funding sources. As planning for these projects continues and funding strategies are refined, planned debenture financing may be replaced with other funding sources. Below is a graph that illustrates the funding components of the capital program.

**Chart 1: Funding of the Capital Program****Capital Budget - Operating Implications**

Many capital programs have associated operating implications. These costs are embedded in the City's growth-related expenditures in the base or as additional resource requests. Operational requirements include staff and associated operating costs of new infrastructure. These will typically be lower in the first year due to the construction timing involved. Initial investments in service delivery capital infrastructure are fixed and primarily funded through development charges. However, the related ongoing operational and service costs place cumulative, lasting pressures on the operating budget. Debenture financing is primarily leveraged for the City's roads program. Infrastructure contributions are required to begin funding the ultimate replacement of infrastructure funded through the development community.

**Table 6: Operating Impacts Associated with the Capital Program**

Items	2015			2016			2017			2018		
	\$M	Tax Rate Incr.	\$/ HH	\$M	Tax Rate Incr.	\$/ HH	\$M	Tax Rate Incr.	\$/ HH	\$M	Tax Rate Incr.	\$/ HH
Operational Requirements*	0.6	0.37%	5	4.9	2.84%	37	4.0	2.06%	30	2.1	1.03%	15
Debenture Financing**	0.5	0.30%	4	0.4	0.25%	3	-1.9	-1.00%	-14	2.7	1.31%	20
Infrastructure Contributions **	0.9	0.54%	7	0.8	0.47%	6	1.9	1.01%	15	1.1	0.53%	8
<b>Total</b>	<b>2.0</b>	<b>1.20%</b>	<b>15</b>	<b>6.1</b>	<b>3.56%</b>	<b>47</b>	<b>4.0</b>	<b>2.07%</b>	<b>30</b>	<b>5.8</b>	<b>2.86%</b>	<b>43</b>

\* Figures represent the estimated operating implications associated with the capital program. These operating implications are incorporated in the operating budget. /HH indicates the equivalent increase per household.

\*\* Includes incremental increases for infrastructure reserve contributions, debt servicing costs and Capital from Taxation. Infrastructure reserve contributions were reduced as part of the budget reduction plan.

Note: some numbers may not add due to rounding.

## Long-term Financial Planning

### Reserves and Debt

Over time, the City has developed a series of guiding financial policies to assist in developing the Capital Budget. The City is primarily responsible for funding replacement infrastructure and for funding the 10% co-funding requirements for DC-funded growth capital. These projects are primarily funded through taxation. The City has adopted reserve funding and debt financing to smooth out the costs and minimize the need for large infrastructure-related tax rate increases. To ensure the sustainability of these tools, the City has adopted associated targets. As illustrated below, the City is meeting or exceeding these targets.

**Table 7: Policy Ratios**

<b>Policy Ratio</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Target</b>
<b>Discretionary Reserve*</b>	63.1%	57.8%	55.7%	58.9%	64.9%	>50% Of Own Source Revenues
<b>Working Capital*</b>	9.3%	7.9%	6.1%	5.1%	4.9%	Up To 10% Of Own Source Revenues
<b>Debt Service Costs</b>	6.0%	6.3%	5.6%	4.2%	4.8%	<10% Of Own Source Revenues

*\*Ratios are affected by contribution and own source revenue forecasts*

*Note: some numbers may not add due to rounding.*

Discretionary reserves provide the City with financial flexibility in order to safeguard against economic downturns and finance operations internally. This ratio is a strong indicator of Vaughan's financial health. The decrease in the 2015 discretionary reserve ratio is related to a number of capital projects and reserve transfers. However, the 2014 BMA Municipal Study notes that the average discretionary reserve ratio for all single and lower-tier municipalities in Ontario is only 50%.

The Working Capital reserve is available to fund in-year cash flow requirements. The progressive decrease in this ratio is due to phasing out the use of the subsidization of tax increase from the tax rate stabilization reserve and anticipated surpluses. Contributions to this reserve are surplus based, which are not planned or forecasted, and only applied once realized.

The Debt Policy sets limitations on the use of debt in order to retain financial flexibility by avoiding long-term commitments and the high cost of interest. The City's policy limits debt to a maximum of 10% of total City revenue, which is significantly lower than the Province's 25% maximum. This ratio is relatively stable over the capital plan. There is a large debt retirement in 2017.

The following table illustrates the forecasted balances of the City's main reserve categories over the 2015-18 budget period. During the four year period, reserve balances are expected to average about \$362M. More than half of the reserve balance relates to non-discretionary reserves, primarily development charges and cash-in-lieu of parkland. Discretionary reserves represent, on average, 20% of the total. Infrastructure replacement reserves are categorized as discretionary reserves.

Reserve balances are reflective of project commitments. The 10-year reserve forecast in Attachment 4 details the estimated contributions and commitments of each reserve. These forecasts are updated during the annual budget process to reflect the changing initiatives of the City.



Table 8: 2015-18 Reserve Balance Forecast

<b>\$M</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Discretionary Reserves</b>					
<b>Sustainability</b>	48.1	33.6	21.0	11.2	3.8
<b>Infrastructure</b>	33.9	33.3	31.9	35.4	42.5
<b>Corporate</b>	31.2	28.4	28.4	29.1	28.9
<b>Special Purpose</b>	-7.1	-8.3	-8.4	-8.5	-8.6
<b>Sub-total</b>	106.1	87.0	85.5	67.2	66.6
<b>Obligatory Reserves</b>					
<b>Development Charge</b>	108.6	124.9	114.6	108.7	125.4
<b>Area Specific</b>	1.0	-8.0	-8.1	-8.2	-8.3
<b>Restricted Grant</b>	8.8	1.8	2.2	3.8	5.6
<b>Other</b>	79.5	76.8	73.9	71.0	68.1
<b>Sub-total</b>	198.0	195.5	182.6	175.3	190.8
<b>Water/Wastewater</b>	69.9	75.2	89.9	108.8	134.8
<b>Grand Total</b>	<b>373.8</b>	<b>357.7</b>	<b>345.3</b>	<b>351.2</b>	<b>392.3</b>

Note: some numbers may not add due to rounding.

#### Amortization and Post-employment benefits

The City's PROPOSED 2015 Budget and 2016-18 Plan is developed excluding amortization expense and post-employment benefits. The costs and associated tax implications of budgeting for amortization and post-employment benefits would be significant.

The main reasons for the funding differences are:

1. The majority of the City's assets are funded by the development industry, leaving the City to fund renewal costs, primarily through taxation. The City's Infrastructure Replacement Reserve Contribution Policy requires that a portion of the expected replacement cost of assets be raised through taxation each year to help smooth out potential large tax increases when replacements are required.
2. The City funds its post-employment benefit costs as payments are made. There is a large gap between current funding and the liability for post-employment benefits recorded in the annual audited financial statements. It should be noted that there is a surge in future post-employment benefits caused by staffing requirements to service growth.

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, but does require Council be informed of the above action including the estimated change in the year-end accumulated surplus and estimated impact of the excluded expenses on the municipal funding requirements. It is important to note these expenses are recognized and reflected in the City's annual financial statements, but they are not fully funded through the City's budget and tax levy since they represent "non-cash" charges.

**Table 9: Impact of Excluded Expenses/Estimated Change in Accumulated Surplus**

<b><i>Funding vs. Amortization</i></b> <b>\$M</b>	<b><i>Annual Budget</i></b> <b>Funding</b>	<b><i>Prior Year</i></b> <b>Amortization</b>	<b>Gap</b>
<b>City Asset Renewal*</b>	25.2	46.4	21.2
<b>City Post-Employment Benefits</b>	2.6	14.0	11.4
<b>Combined</b>	<b>27.8</b>	<b>60.4</b>	<b>32.6</b>

*\*Excludes Water and Waste Water (Separate Process)*

*Reporting on solid waste landfill closure and post-closure expenses is not applicable in Vaughan*

*Note: some numbers may not add due to rounding.*

### Community Infrastructure Renewal Requirements

Assets constructed over the last three decades are approaching the end of their useful lives and significant investment in the replacement of these assets is required. In recognition of this and to spread the cost out over time to minimize tax rate increases, Council adopted an Infrastructure Replacement Reserve Contribution Policy in 2012. This policy approved inflationary adjustments and increased annual contributions, based on lifecycle replacement principles for new assets, to the infrastructure replacement reserves.

For 2015, the total incremental contribution, as calculated by the policy, has been temporarily reduced by 50%, resulting in a budget reduction of \$0.5M. This was done to minimize the impact of required budget reductions on service levels. The reserve balances are adequate to fund near term capital renewal requirements, but mid to longer-term capital renewal requirements will require additional sustainable funding. As a result, the gap in Table 9 is expected to slightly widen over the next few years.

### Relationship to Vaughan Vision 2020/Strategic Plan

The PROPOSED 2015 Budget and 2016-18 Plan is the process of allocating the resources necessary to continue operations and implement Council's approved plans. Embedded within the City's Budget and Plan are resources to move Vaughan's Vision forward. This includes specific additional resource requests and capital funds earmarked to support the City's priority initiatives and strategic themes.

### Regional Implications

There are no regional implications associated with this report.

### Conclusion

The management and operation of the City of Vaughan is becoming increasingly complex as the City grows and the regulatory environment increases. Consequently, there is a need to broaden the budget horizon and better understand the future implications of today's decisions. A Budget Task Force has been created to study the options available to achieve the efficiencies and other savings required to ensure that the annual net levy requirement does not exceed a 3% tax rate increase in each of 2016-18.

The implementation of multi-year budgets provides decision makers with added foresight and ability to proactively grasp future opportunities and prepare for future challenges. This is a strategic approach and is intended to plan where the City's future resources should be focused to best support the City, its vision and generate public value. There are many factors that are placing significant pressures on the property tax rate, including:

- Inflation and the impact of escalating labour and external contract costs;
- New development and population growth that while positive for the City overall also create budget pressures because of the costs of providing additional service volume;
- Timing differences between revenue growth and incremental growth-related costs;
- Increasing requirements to set aside adequate funding to pay for the eventual replacement of all of the new community infrastructure that has been put in place;

- Investments required to transform City administration and service delivery to ensure that they are as efficient and effective as possible; and,
- Unique pressures of the current cycle such as the cost to replace trees lost in the December 2013 Ice Storm and need to transition to more sustainable policies for the planned use of reserves and surpluses.

Reducing the initial draft budget to achieve the set target was challenging and required careful consideration of the balance between maintaining service levels, new initiatives and keeping tax rates low. The funding recommendation is a blend of these ideals, but weighted towards service delivery. Below is a summary of the revised draft budget and associated tax rate increase for the average home.

**Table 10: PROPOSED Levy Increase and Associated Increase on the Average Tax Bill**

\$M	2015	2016	2017	2018
	Budget	Recognized Plan		
<b>Tax Rate Increase</b>	2.86%	9.65%	4.14%	4.25%
<b>Less: Budget Reduction Target</b>	-	-6.65%	-1.14%	-1.25%
<b>Adj. Tax Rate Increase</b>	2.86%	3.00%	3.00%	3.00%
<b>Increase on Average Tax Bill</b>	\$37	\$39	\$41	\$42

*Note: some numbers may not add due to rounding.*

Illustrated below is the estimated 2015 total property tax bill for the average home in Vaughan, valued at \$587,000. It is important to note that although York Region's property tax rate increase is 2.97%, its contribution to the overall property tax bill increase represents \$68. This is largely because half of the property tax bill is allocated to the Region of York. Overall, the average total property tax bill in Vaughan will increase by \$105 or 2.20%. Vaughan's local portion amounts to a \$37 increase and only 0.77% of the total property tax bill.

**Table 11: 2015 Estimated Property Tax Bill**

<b>Property Tax Bill</b>	<b>2014 Property Tax</b>	<b>Est. Tax Rate Increase %</b>	<b>Est. Avg. Increase Per Household \$</b>	<b>Est. 2015 Property Tax</b>	<b>Portion of Est. Avg. Property Tax Bill</b>
<b>City of Vaughan</b>	<b>1,279</b>	<b>2.86%</b>	<b>37</b>	<b>1,316</b>	<b>27%</b>
<b>VHCCP Development Levy</b>	<b>57</b>	<b>-</b>	<b>-</b>	<b>57</b>	<b>1%</b>
<b>Region of York</b>	<b>2,296</b>	<b>2.97%</b>	<b>68</b>	<b>2,364</b>	<b>49%</b>
<b>Provincial (Education)</b>	<b>1,119</b>	<b>-</b>	<b>-</b>	<b>1,119</b>	<b>23%</b>
<b>New Total Tax Bill</b>	<b>4,750</b>	<b>2.20%</b>	<b>105</b>	<b>4,855</b>	<b>100%</b>

*\*VHCCP refers to Vaughan Healthcare Centre Precinct Plan*

*Note: some numbers may not add due to rounding.*

### **Attachments**

Attachment 1: Revenue and Expenditure Summary  
 Attachment 2: Additional Resource Request Summary  
 Attachment 3: Capital Project Listing by Department  
 Attachment 4: 10 Year Continuity Reserve Forecasts

### **Report prepared by:**

Laura Mirabella-Siddall, CPA, CA  
 Director, Financial Planning and Analytics, ext. 8913

Jackie Macchiusi, CPA, CGA  
Senior Manager, Corporate Financial Planning and Analysis, ext. 8267

Howard Balter, CPA, CGA  
Manager, Financial Planning and Analysis, ext. 8338

Rita Selvaggi, CPA, CA  
Manager, Financial Planning and Analysis ext. 8438

(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.)

**52. 2015 PROPOSED WATER AND WASTEWATER/STORMWATER OPERATING BUDGETS AND SERVICE FEES**

MOVED by Regional Councillor Di Biase  
seconded by Councillor DeFrancesca

That the recommendation contained in the following report of the Commissioner of Finance and City Treasurer, the Commissioner of Public Works, the Director of Environmental Services and the Director of Financial Services and Deputy Treasurer, dated April 1, 2015, be approved:

CARRIED

**Recommendation**

The Commissioner of Finance & City Treasurer, the Commissioner of Public Works, the Director of Environmental Services and the Director of Financial Services and Deputy Treasurer recommend:

- 1) That the presentation “2015 Proposed Water and Wastewater/Storm Operating Budgets” be received;
- 2) That the 2015 Proposed Water Budget and the 2015 Proposed Wastewater/Stormwater Budget, including the impact of excluding non-cash expenses as required by Ontario Regulation 284/09, be approved;
- 3) That the following consumption rates and service fees for Water and Wastewater/Stormwater be approved and that Schedule “A” of By-Laws 167-73 and 12-74 be amended to reflect the 2015 Proposed Water and Wastewater/Stormwater budgets, as follows:
  - (a) The City’s water rate be increased from \$1.4075 to \$1.4780 per cubic meter effective April 1, 2015; and
  - (b) The City’s wastewater/storm rate be increased from \$1.6781 to \$1.9130 per cubic meter effective April 1, 2015; and
  - (c) The service fees for Water and Wastewater/Stormwater, shown in attachment #7 to this report, be adopted and included in schedule “A” of the Water and Wastewater bylaws 167-73 and 12-74.

**Contribution to Sustainability**

Safe drinking water, effective wastewater collection and stormwater management are cornerstones of a sustainable and healthy community.

The 2015 water and wastewater/stormwater budgets and rates provide funds to support the City's water, wastewater and stormwater systems by moving towards financial sustainability in accordance with the Safe Drinking Water Act and the Sustainable Water and Sewage Systems Act.

Continued infrastructure renewal investment is critical to ensure water and wastewater systems are sustainable in the future. This objective is supported by continuing to build City reserves.

### **Economic Impact**

The City's 2015 water and wastewater combined rate will be the lowest in the Region of York.

For 2015, the combined rate increase for Water and Wastewater/Stormwater is \$0.3053 per cubic meter or 9.9%. This results in a new rate of \$3.391 per cubic meter. The Region's share of the rate is 64.2% versus 35.8% for the City.

<b>Combined Rate Increase</b>		
	<b>% of Rate</b>	<b>% Increase</b>
<b>Region</b>	<b>64.2%</b>	<b>6.4%</b>
<b>City</b>	<b>35.8%</b>	<b>3.5%</b>
<b>Total</b>	<b>100%</b>	<b>9.9%</b>

For 2015, the City's share of the combined water/wastewater rate increase is 3.54% (or 35.8%) and the Region of York's share for water purchases and wastewater services is 6.35% (or 64.2%) resulting in a combined rate increase of 9.90%. Based on the rate increase for water and wastewater the impact to the ratepayer that consumes 300 cubic metres will be approximately \$91.59 or \$7.63 per month.

The budgeted rates will generate a net contribution of \$12.8 million to their respective reserves providing funds to support and move towards a financially sustainable water and wastewater system as required by the Safe Drinking Water Act (SDWA) and Sustainable Water and Sewage Systems Act.

### **Communications Plan**

Working in collaboration with the Corporate Communications department, there were several communications channels used to inform and engage the public throughout the budget process. A number of tactics were employed to reach that goal including hard-copy promotional materials, social media content and enhanced website content. Flyers and posters highlighting the budget meetings were distributed to City facilities to ensure residents were aware of the opportunities to provide input. Public meeting times were also promoted on the front of the interim tax bill insert, which was mailed to every homeowner in February.

Information also was shared through the City's corporate and Councillor eNewsletters, and the blog. This was complemented by website updates, messages on the City's Synthia phone system, graphic slides on Vaughan TV and messages to staff.

### **Post Budget Approval Communication**

Following approval of a budget, the City will communicate budget highlights by employing a variety of tactics, including a media release, website content, social media messages, a blog, an eNewsletter post and an internal message to staff. Staff will provide a list of questions and answers to the Corporate Communications department to assist in responding to the public and the media.

**Purpose**

The purpose of this report is to provide and present the 2015 Water and Wastewater/Stormwater Operating Budgets, The 2016 – 2018 Plan and the corresponding water and wastewater billing rates to the Finance, Administration and Audit Committee for consideration.

**Background – Analysis and Options**

Water, Wastewater and Stormwater are regulated services and must meet legislated requirements of the Safe Drinking Water Act and the Sustainable Water and Sewage Systems Act.

**The Safe Drinking Water Act**

The SDWA expands on existing policy and practices and introduces new regulations to protect drinking water. It includes certification of drinking water system operators and analysts and puts in place certain financial reporting requirements and the need for municipalities to develop financially sustainable water treatment and distribution systems. The Act's purpose is to protect human health through the control and regulation of drinking water systems and drinking water testing.

It should be noted that the City currently has a strong balance sheet and has a financially viable and sustainable drinking water financial plan that meets the needs of Ontario regulation 453/07 as noted in the "Six Year Water Financial Plan (2014-2019)" presented to Council on December 2, 2013.

**The Sustainable Water and Sewage Systems Act**

The Sustainable Water and Sewage Systems Act legislates municipalities to assess the costs of providing water and sewage utilities and prepare a method to finance the full cost of providing these services

From a financial planning perspective the city must plan and budget for three separate time horizons, upcoming budget year, six year financial plan and a long term (multi-decade) plan

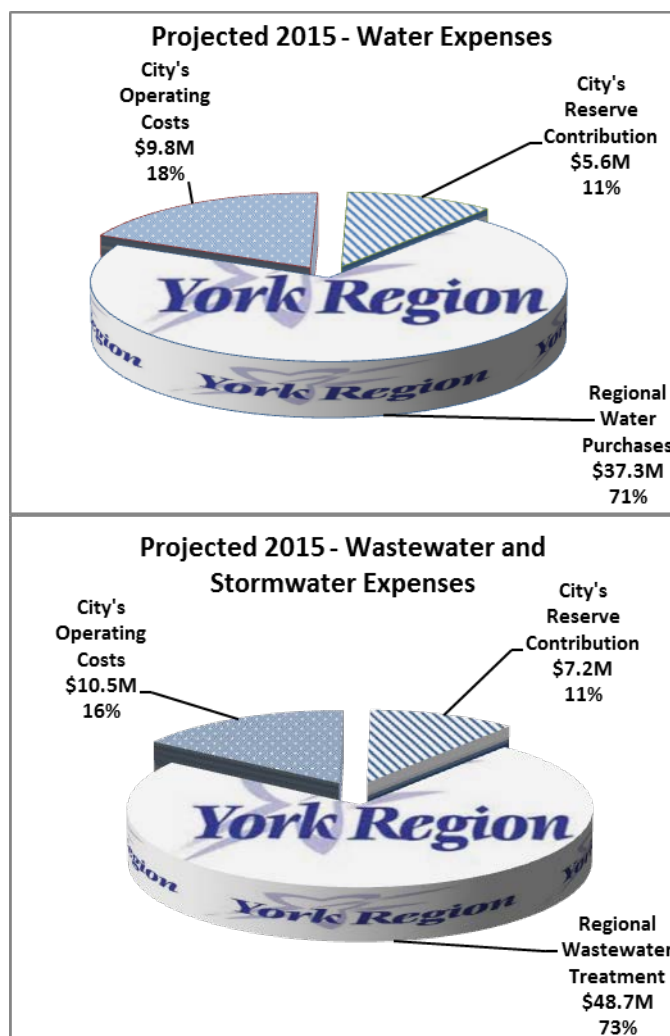
The upcoming budget year plan must cover the Region's water and wastewater service purchases, the City's operational costs and contributions to reserves. The six year financial plan is regulated by legislation and considers future operating and capital programs. The long term plan must also consider long term financial needs with respect to repairing and replacing infrastructure.

Financial planning consists of identifying expenses, revenue and generating water and wastewater/stormwater rate.

The 2015 budget was developed by identifying expenses (Region purchases, City operating costs and contributions to reserves), examining revenue (through the analysis of water consumption patterns and projected revenue associated with the sales) and rate generation. This report follows this format.

**Water, Wastewater/Stormwater Cost Impacts**

The following graphs depict the three major cost components that are explained below: the purchased cost of water from the Region, the City's operating costs and contribution to repair and replace the water and wastewater/stormwater systems.



**The purchase of potable water, and wastewater services from the Region represents, by far, the largest budget expense.**

#### Water

The City purchases bulk water from the Region for distribution to the City's residents and businesses. These bulk water purchase costs represent approximately 71% of the City's costs annually and therefore are a critical rate driver. The 2015 rate increase for water provided by the Region is 7.45%. The anticipated annual increase in the Region's bulk water costs for the period of 2016 to 2018 is 9% annually. The Region's forecasted rate has been incorporated into the City's forecasted rate.

Included in the bulk water purchased from the Region is the unmetered (non-revenue) water consumption. The 2015 budget for unmetered water is at 13% maintaining the same level as in the past few years. The non-revenue water (NRW) can be broken down as: apparent losses – customer meter degradation, real losses – leakage on mains, service connections, unbilled consumption – fire suppression, main flushing and maintenance, etc. To attempt to minimize NRW, the City, in partnership with York Region, will be undertaking a leak detection program. This program will help to further identify potential sources of water loss in underground infrastructure.

Wastewater

The City pays the Region to convey and treat the City's Wastewater. These conveyance and treatment costs represent approximately 73% of the City's costs annually and therefore are a critical rate driver. The 2015 rate increase for wastewater provided by the Region is 12%. The anticipated annual increase in the Region's wastewater service costs for the period of 2016 to 2018 is 9% annually. The Region's forecasted rate has been incorporated into the City's forecasted rate.

The City's cost for these Regional services will be subject to further adjustments arising from the Region's 2015 rate review.

The Region of York has advised the City of Vaughan that it will be conducting a rate review which will determine rates for future years. Pending the results of this rate review, the Region has supplied the City with a flat rate of 9% for both water and wastewater rates to be used in the City's forecast. The results of this study will have a substantial impact on the City's future rates and the forecasted rates in the budget are subject to change.

Taking into account the significant impact that the studies noted above will have on future rates, staff may not be able to fully assess the impacts and develop a strategy forward until at least 2016. Since the results of the studies above are not yet known, the budgets have been built based on current information.

**Budget Overview - Water & Wastewater/Stormwater Combined**

<b><u>\$000's</u></b>	<b><u>2015 Draft</u></b>	<b><u>2014</u></b>	<b><u>Impact of</u></b>	<b><u>Increase</u></b>
	<b><u>Budget</u></b>	<b><u>Budget</u></b>	<b><u>2014 Council</u></b>	<b><u>Over 2014</u></b>
			<b><u>Decisions</u></b>	
<b>Region Costs</b>	86,040	81,309		4,731
<b>City Expenses (Net)</b>	18,247	16,432	745 *	1,070 **
<b>Reserve</b>	12,807	11,776		1,031
<b>Rate Requirement</b>	<b>\$ 117,094</b>	<b>\$ 109,517</b>	<b>\$ 745</b>	<b>\$ 6,832</b>
<b>Impact of 2014 Council Decisions *</b>				
	Organization Re-allocations		\$ 350	
	2014 Gapping		188	
	COLA		207	
				\$ 745
<b>2015 Additions **</b>				
	ARR - new 2015		\$ 248	
	Contractor Maintenance		675	
	Other Items		147	
				1,070
	<b>City Expenses (Net)</b>			<b>\$ 1,815</b>

Water

As mentioned previously, the Safe Drinking Water Act requires all municipalities to develop a consolidated six year financial plan which is sustainable and financially viable. The City of Vaughan ensures that we meet this obligation with each budget cycle. As more infrastructure is assumed water operating costs increase. Also, inflationary increases from existing operational contracts and agreements are factored into the budget. Increases in maintenance, administration, additional staffing resources and other expenditures reflect inflation, union agreements and changes in operational requirements. One ARR has been added to the 2015 budget: Supervisor, Water Operations will provide direction and leadership ensuring effective management of field staff and contractors.

Wastewater/Stormwater

The Wastewater/Stormwater budget is also governed by legislature – the Sustainable Water and Sewage Systems Act. The City of Vaughan is devising a method to finance the full cost of providing wastewater/stormwater services by emulating the Water six year plan.

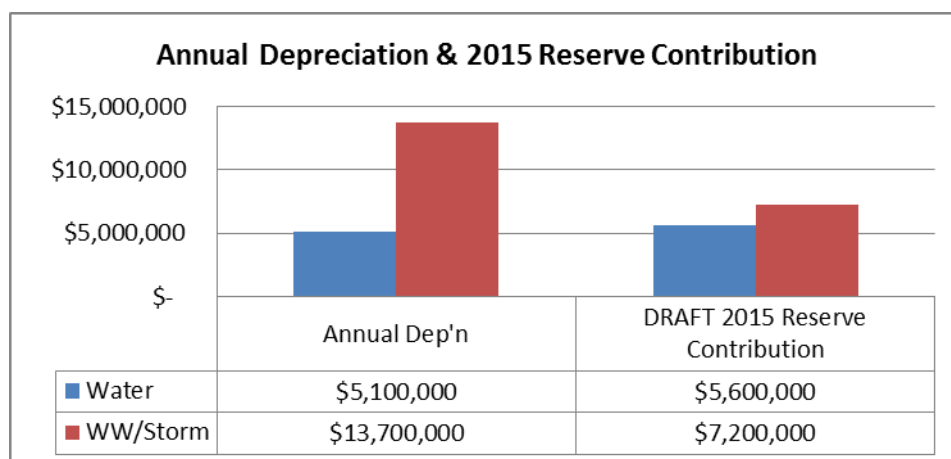


As with water, inflationary increases from contracts and agreements, maintenance and administration were also factored into the budget. A new inspection program for storm and sanitary sewer pipes will provide condition data for asset management purposes and reduce risk. One ARR has been added to 2015: Supervisor, Wastewater/Stormwater Operations will provide direction and leadership ensuring effective management of field staff and contractors

Prudent financial planning requires ongoing contribution to Water and Wastewater Reserves to fund repair and replacement of the water and wastewater infrastructure

Using annual depreciation as a basis for reserve funding is a best practice according to the National Guide to Sustainable Municipal Infrastructure. “It is best practice to use the funds generated from depreciation charges on infrastructure investments to finance past, current or future infrastructure investments.”<sup>1</sup>

The following table illustrates annual depreciation of water and wastewater assets.



### Water

The City of Vaughan has invested \$420 million (replacement value, Corporate Asset Management Strategy, 2014) into its water infrastructure. The water infrastructure is depreciating by \$5.1 million per year. To cover the annual depreciation, the City needs to continue to contribute at least \$5.1 million to the water reserves. The 2015 budget contributes \$5.6 million to the reserves in 2015. This will not only cover the annual depreciation but start to address future capital needs.

To meet the requirements of the Safe Drinking Water Act, the forecasted six year financial plan has also been addressed through the forecasted 2016 to 2018 water rates (four year plan, as required by the 2015 budget process). The forecasted 2016 to 2018 contribution increase rate of approximately 7.5% annually will provide \$6.1 million, \$7.2 million and \$8.2 million, respectively to the reserves

### Wastewater

The City of Vaughan has invested \$553 million (replacement value, Corporate Asset Management Strategy, 2014) into its wastewater infrastructure. The wastewater infrastructure is depreciating by \$13.7 million per year. To cover the annual depreciation, the City needs to contribute at least \$13.7 million to the wastewater reserves. The 2015 budget contribute \$7.2 million to the reserves in 2015. This will not cover the annual depreciation for 2015, however the 2016 to 2018 forecast will start to meet annual depreciation of wastewater assets.

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<sup>1</sup> Water and Sewer Rates: Full Cost Recovery, National Guide to Sustainable Municipal Infrastructure

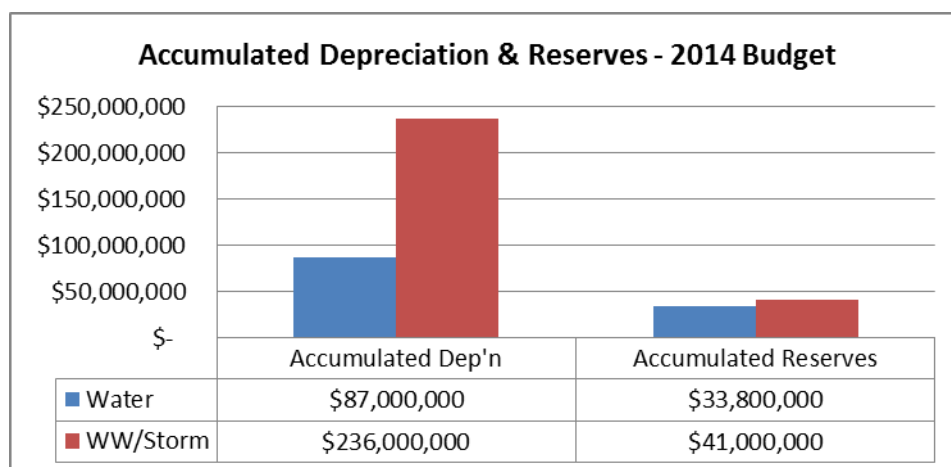
To meet the requirements of the Sustainable Water and Sewage Systems Act, the forecasted six year financial plan has also been addressed through the forecasted 2016 to 2018 wastewater rates (four year plan, as required by the 2015 budget process). The forecasted 2016 to 2018 rates of approximately 12% annually will provide \$11 million, \$15.7 million and \$20.8 million, respectively to the reserves. The wastewater rate will meet annual depreciation costs in 2017 and start to build the reserve to meet future wastewater infrastructure needs.

In summary, the planned 2015 water reserve contribution will exceed annual water depreciation value. The wastewater reserve contribution will not meet this in 2015, however, the projected contribution rate increases will ensure annual wastewater depreciation is exceeded by 2017. Exceeding the annual depreciation charges is vital to ensuring the City meets its long term financial requirements and recover past contributions which should have occurred.

Long term financial planning requires that the City address accumulated depreciation and asset management requirements

The following table illustrates the City's water and wastewater assets accumulated depreciation and the reserves which are used to replace future water and wastewater infrastructure needs. Accumulated depreciation is the total depreciation of the City's assets since they were built. Another aspect of prudent financial planning is to save enough money in the City's reserves to cover the value of the accumulated depreciation.

The following table clearly depicts a reserve deficit for both water and wastewater infrastructure.

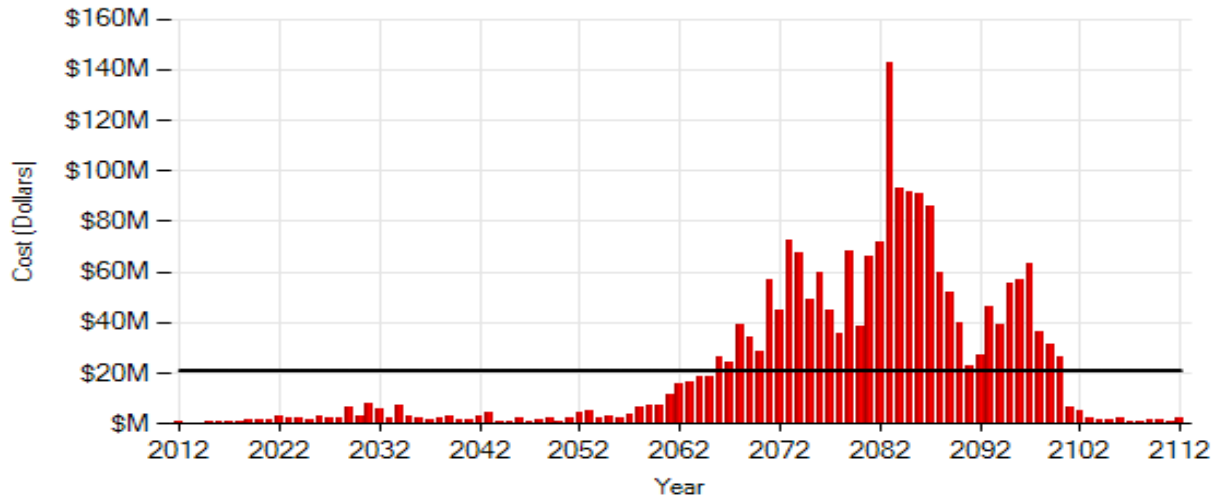


**Contributing at a rate which will cover the City's accumulated depreciation will also move the City towards meeting long term asset management requirements**

#### Water

The Corporate Asset Management Strategy (2014) identified water infrastructure needs starting in 2030, with approximately \$10 million identified, with significant water infrastructure needs identified in the 2070's and 2080's at approximately \$70 million and \$140 million, respectively as shown in the graph below:

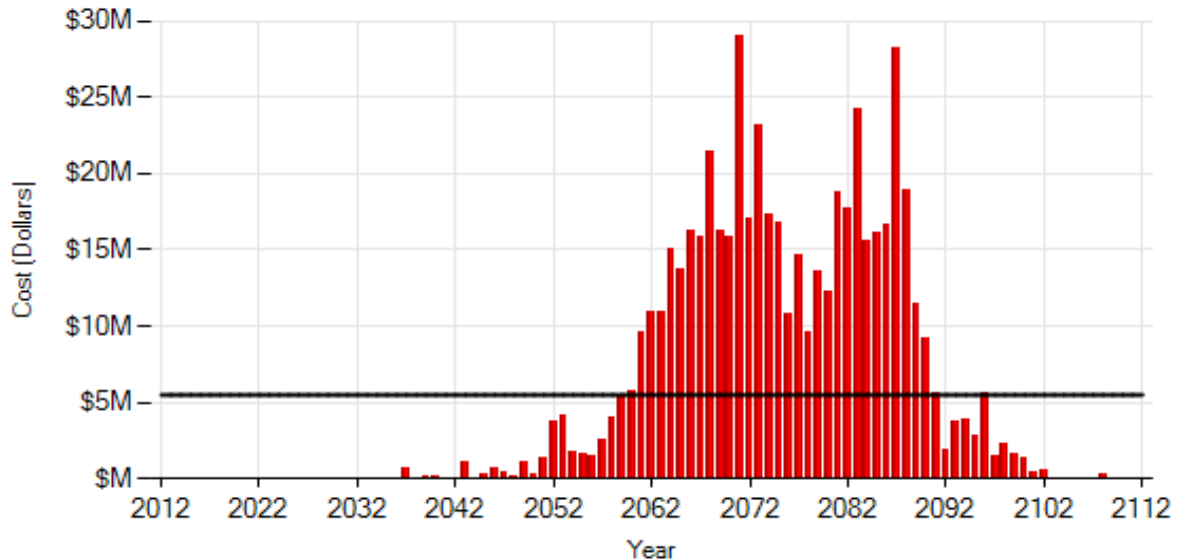
Future Investment, Water Services, (2012\$)



Wastewater/Stormwater

The Corporate Asset Management Strategy (2014) identified wastewater infrastructure needs starting in 2060, with approximately \$5 million identified, with significant wastewater infrastructure needs identified in the 2070's and 2080's at approximately \$29 million and \$28 million, respectively as shown in the graph below:

Future Investment, Wastewater Services, (2012\$)



The city is continuing to update its asset data and will be formulating an integrated asset management funding strategy and the water and wastewater/stormwater plans will be refined accordingly. Stormwater data will be incorporated in the current infrastructure funding study.

At the projected reserve contribution rates the City's long-term financial needs would be fully addressed in a 30 to 50 year horizon. City staff continues to study alternate reserve and investment scenarios, and new revenue/funding opportunities and these will be the subject of future reports to Council.

**Water and Wastewater/Stormwater Revenue**

The City covers all costs of delivering water and wastewater services through rates

**Water**

The cost of delivering water services is fully recovered through billing from metered water users. For budgeting purposes, the total cost of delivering water services is divided by the projected number of cubic metres of water sold to the City's account holders and billed on a projected water usage basis.

**Wastewater/Stormwater**

The cost of delivering wastewater/stormwater services is also fully recovered through billing from metered water users. For budgeting purposes, the total cost of delivering wastewater/stormwater services is divided by the projected number of cubic metres of water sold to the City's account holders and billed.

The calculation of the wastewater rate based on water usage is a common practice in the industry.

The 2015 consumption volume is conservatively estimated and is developed based on current consumption patterns, annual growth estimates and does not reflect any weather predictions.

The volume of wastewater is not metered and therefore the wastewater consumption volume is billed in accordance with water volumes.

Decreasing consumption and changing weather patterns will cause water and wastewater rates to increase

The City of Vaughan is experiencing a downward trend in consumption per account due to conservation efforts and changing weather. Lower consumption per account will put upward pressure on rates in order to cover fixed costs and annual depreciation charges in order to contribute adequately to reserve funding.

<b>AVERAGE 2013-2014</b>	<b>% New Accounts</b>	<b>Consumption Per Account</b>
<b>WATER</b>		
Residential	1.10%	-5.13%
Commercial	1.40%	-3.13%
<b>WASTEWATER</b>		
Residential	1.15%	-5.09%
Commercial	1.56%	-4.38%

Generally speaking, infrastructure needs will not decrease with lower per account consumption. Thus, users will pay more for water and wastewater services, although they are using less water.

**2015 Water and Wastewater Rates**

Rates are set to meet Region of York purchases legislative requirements, operational needs and reserve contributions. The 2015 budget and 2016 to 2018 forecast focusses on meeting these requirements and building reserves

As discussed previously, the water rates are sufficient to meet the requirements of the Safe Drinking Water Act, which includes contribution to reserves.

The wastewater rates will be required to contribute significantly to reserves as there is a large deficit in wastewater reserves

The 2015 rates will result in an annual residential impact of \$ 91.59 per year based on an annual consumption of 300 cubic metres

Based on the rate increase for water and wastewater the impact to the ratepayer who consumes 300 cubic metres will be approximately \$91.59 or \$7.63 per month.

The 2015 recommended rates are:

- Water - \$1.4780 per cubic meter
- Wastewater - \$1.9130 per cubic meter
- Combined - \$3.3910 per cubic meter

Residential customers will see a combined increase of \$0.3053 per cubic meter or \$91.59 per annum based on an annual consumption of 300 cubic metres. The City's consumption rates continue to be competitive as demonstrated on Attachment No. 3.

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

The 2015 water and wastewater/stormwater budget and 2016 – 2018 forecast establishes the budget and resources required to maintain service levels and undertake Council priorities in this area. The budget will promote community safety, health and wellness, managing corporate assets and ensure financial sustainability.

### **Regional Implications**

There are no implications however, the Regional purchases for 2015 represents 74% of the City's combined costs.

The Region of York is undertaking a rate study in 2015 which will have impact on the City of Vaughan's forecasted 2016-2018 rate projections.

The Region rates come into effect on April 1 and it would be prudent for the City of Vaughan rates to align with this timing to ensure we can recover the increases associated with York Region.

### **Conclusion**

The combined rate increase at 9.9% covers a 10% rate increase from the Region of York, which accounts for 74% of the City's expenses. These rate increases are necessary to ensure that sufficient reserves will be available for future infrastructure replacement.

The 2015 water/wastewater/stormwater budgets will generate funds to support operations and move towards full cost recovery thereby meeting the Safe Drinking Water Act and Sustainable Water and Sewage System requirements.

Based on the rate increase for water and wastewater the impact to the ratepayer that consumes 300 cubic metres will be approximately \$91.59 or \$7.63 per month.

It is therefore recommended that the City's water rate be increased to \$1.4780 per cubic meter and that the wastewater rate be increased to \$1.9130 per cubic meter both effective April 2015.

### **Attachments**

1. 2015 Proposed Operating Water and Wastewater/Stormwater Budgets
2. The 2015 Water and Wastewater/Stormwater ARR Staffing Requests
3. 2015 Water and Wastewater Municipal Rate Comparison
4. Water, Wastewater & Stormwater 2015 Business Plan
5. 2016-2018 Plan
6. Approved 2015 Capital Budgets and 2016-2018 Capital Plans
7. 2015 Proposed Operating Budget Water and Wastewater Charge Amendments

**Report prepared by:**

Dean Ferraro CPA, CA  
Director of Financial Services & Deputy Treasurer, Ext. 8272

Jennifer Rose  
Director of Environmental Services, Ext. 6116

Carey Greenidge, CMA,  
Finance Manager, Ext. 8486

(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.)

**53. BY-LAWS**

MOVED by Councillor Iafrate  
seconded by Regional Councillor Ferri

THAT the following by-laws be enacted:

By-Law Number 054-2015	A By-law to amend City of Vaughan By-Law Number 167-73, as amended with respect to water rates. (Item 2, Special Council, April 1, 2015)
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By-Law Number 055-2015	A By-law to amend City of Vaughan By-Law Number 12-74, as amended with respect to wastewater rates. (Item 2, Special Council, April 1, 2015)
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CARRIED

**54. CONFIRMING BY-LAW**

MOVED by Councillor Yeung Racco  
seconded by Councillor Iafrate

THAT By-law Number 056-2015, being a by-law to confirm the proceedings of Council at its meeting on April 1, 2015, be enacted.

CARRIED

**55. ADJOURNMENT**

MOVED by Councillor Carella  
seconded by Councillor DeFrancesca

THAT the meeting adjourn at 8:24 p.m.

CARRIED

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Hon. Maurizio Bevilacqua, Mayor

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Jeffrey A. Abrams, City Clerk