

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 16, 2017

Item 3, Report No. 5, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on May 16, 2017.

3 2018 FINANCIAL AND BUSINESS PLANNING GUIDELINES

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Chief Financial Officer and City Treasurer, Director, Financial Planning and Development Finance / Deputy City Treasurer, Director, Financial Services / Deputy City Treasurer and the Director of Transformation and Strategy, dated May 1, 2017:

Recommendation

The Chief Financial Officer and City Treasurer, Director, Financial Planning and Development Finance / Deputy City Treasurer, Director, Financial Services / Deputy City Treasurer and the Director of Transformation and Strategy recommend:

1. That the Financial Planning and Business Planning Guidelines, summarized in this report be endorsed; and
2. That staff bring the 2018 Budget and 2019-2022 Plan to the November 2017 Finance, Administration and Audit Committee series of meetings and December 2017 Special Council Meeting with Public Input.

Contribution to Sustainability

The Financial and Business Planning Guidelines align and allocate Vaughan's resources to achieve the City's objectives and priorities, as established in the Term of Council Service Excellence Strategy Map ("Strategy Map"). The Strategy Map enhances the City's ability to focus its resources on the priorities that provide the most value to citizens for this term of Council and for the long term sustainability of the City.

Economic Impact

The Property Tax rate supported budget increase is set to a maximum of three per cent for 2018

At the January 12, 2015 meeting of the Finance, Administration and Audit Committee (Item 5, Report No. 2), the following Committee recommendation was received and subsequently approved at Council:

That recognizing the community's need for fiscal restraint, over the next few months the Finance, Administration and Audit Committee and City staff shall be directed to work toward a set target not to exceed 3% per annum for the period of 4 years

The 2018 plan will be developed in alignment with the Strategy Map and the fiscal principles approved by Council on January 24, 2017 (Item 3, Report No 1, Finance, Administration and Audit Committee). An efficiency target will be incorporated into preliminary budgets to enable the attainment of Council's tax rate increase target of no greater than three per cent each year.

The Rate based budgets will be presented at the same time as the Property Tax based budget.

The Rate based budgets refer to the Water, Wastewater and Stormwater budgets. This year the Property Tax based budget and Rate based budgets will follow the same timelines, with the presentation of these budgets at the deliberation meetings scheduled for November 2017 and

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 16, 2017

Item 3, Finance Report No. 5 – Page 2

Special Council approval in December of 2017. The rate increase for Water and Wastewater budgets is heavily influenced by the Regional rate increase. The forecasted increase for Water and Wastewater in 2018, based on the 2017 budget is 10% but is subject to change if new information is received from the region. The Stormwater charge is expected to increase between 4-5% across the various Stormwater categories.

Communications Plan

A comprehensive multi-channel public communications plan is being developed to support the budget and to help ensure that Vaughan residents have opportunities to be informed and involved in the budget process. This typically includes an internet presence in terms of web, e-mail and social media. New this year will also be a community engagement initiative at a few city wide special events where staff will be on hand to interact with residents on topics such as Financial Sustainability and Asset Management.

Purpose

The purpose of this report is to obtain approval of the City's Financial Planning and Business Planning Guidelines and timetable.

Background - Analysis and Options

Financial Sustainability is a Strategic Initiative under the Service Excellence Strategy Map

The objective of the City's financial planning process is to develop a multi-year budget that contributes to sustainability by allocating resources to deliver the City's programs and services, achieve the priorities set out in the Term of Council Service Excellence Strategy map, and achieve long-term financial sustainability. The initial step in this process is the approval of the 2018 Budget Guidelines (Attachment 1), which helps set the parameters within which the administration will proceed with developing the upcoming budget.

Rate based and Property based budget Timelines have been aligned

This year the Property Tax based budget and Rate based budgets will follow the same timelines, with the presentation of these budgets at the deliberation meetings scheduled for November 2017 and Special Council approval in December of 2017.

The presentation of both budgets at the same time will provide Council with a more complete picture of the work to be undertaken by City departments to deliver programs and services to the community.

Guidelines provide a framework for the development of the Property Tax Based Budget

The following guidelines that were implemented in both the 2016 and 2017 budget processes continue to be in place for the 2018 process:

- Status Quo cost pressures:
These are pressures related to the cost of providing existing services or infrastructure without considering increases in volume or service level
 - Corporate wide pressures (e.g. labour contracts) will be addressed through a Corporate Savings target
 - Corporate Savings target and Departmental specific increases must be absorbed through offsets or efficiencies

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 16, 2017

Item 3, Finance Report No. 5 – Page 3

- Infrastructure repair and replacement to support existing service levels must be achievable within the existing property tax envelope allocated for these purposes
- Growth related cost pressures:
These are pressures related to providing the same level of service, but with increasing volume due to growth
 - Additional Resource Requests (ARRs) must be offset through savings, fees or assessment growth
 - Growth related infrastructure must use the maximum available growth related funding to mitigate property tax impacts
- New service level cost pressures:
These are pressures related to increases in existing service levels for existing and new residents
 - ARRs must be offset through savings or fees
 - Infrastructure providing enhanced service levels must be achievable within existing property tax envelopes allocated for these purposes, include cost recovery mechanisms where possible or maximize growth related funding where applicable

Savings Targets assigned at the Portfolio/Office level

The Corporate Savings target has been calculated on a portfolio and office basis. For 2018, the savings target is estimated to be \$7.4 million. This savings target has been allocated to the portfolio's Deputy City Manager's budget or the Office's operating budget. Portfolio and Office heads will work with their management teams in developing savings proposals that achieve the savings target with minimal impact on services, while creating efficiencies that may be realized immediately or over time.

The Net Property Tax Levy requirement is expected to increase by \$5.5M, equivalent to a 3% property tax increase

Detailed in the following table is the preliminary levy forecast for the 2018 Budget with comparison to the approved 2017 Budget. The 2018 plan will be developed in alignment with the Strategy Map and includes a proposed efficiency target that would enable attainment of Council's tax rate increase target of no greater than three per cent each year.

Table 1: 2016-2018 Recognized Plan

\$M	2017 Approved	2018 Preliminary Budget
Gross Operating	278.4	290.0
Less: Non-Tax Revenue	89.7	89.5
Net Operating	188.7	200.5
Less: Assessment Growth	2.9	1.8
Less: Supplemental Taxation & PIL	5.8	5.8
Less: Efficiency Target		7.4
Net Levy Requirement	179.9	185.4
Incremental Levy Requirement	5.1	5.5
Incremental Tax Rate	2.90%	3.00%

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 16, 2017

Item 3, Finance Report No. 5 – Page 4

A 2019-2020 operating and capital forecast will be presented at a summary level

The current Term of Council Service Excellence Strategy Map will help inform the development of a 2019-2022 operating and capital forecast. This forecast will provide staff with the information they require for department business planning, and will provide community stakeholders with the planned progress of City initiatives. Staff will be undertaking the preliminary work on refreshing Vaughan Vision 2020 (the City's long-term vision) and creating a new 2018-2022 Strategy Map and, with work beginning in 2017, continuing into 2018 with final deliberations and approval to occur in conjunction with the start of the new Council at the end of 2018 or early 2019. Any amendments to priorities and strategic initiatives that result from this update will be incorporated into future budget processes.

Rate Based Budget developed on a full cost recovery model

The water and wastewater rates and stormwater charges are developed to recover the costs of operating and maintenance activities, including regulatory compliance and the purchase of water and wastewater treatment services from the Region of York. This also includes contributions to reserves that are required to meet future infrastructure replacements as these assets reach the end of their useful life.

Water and wastewater are regulated services and must meet legislated requirements of the Safe Drinking Water Act, the Environmental Protection Act and the Ontario Water Resources Act. The Acts' purposes are to protect human health and the environment through the control and regulation of drinking water systems, drinking water testing, wastewater collection and treatment facilities as well as to ensure financial viability. The Ontario Water Resources Act provides a framework for the establishment, alteration, replacement and in some cases the operating requirements of stormwater infrastructure in order to mitigate the impact of stormwater on the receiving environment. It is incumbent upon Council and to management to ensure that the City meets its obligations under the various Acts. The rate increase for Water and Wastewater is heavily influenced by the Regional rate increase and is expected to be approximately 10% as forecasted during the 2017 Budget but is subject to change if new information is received from the region. The Stormwater charge is expected to increase between 4-5% across the various stormwater categories.

Detailed in the following table is the recognized 2018 plan presented as part of the 2017 Budget.

(\$M)	2017 Approved Budget	2018			2018 Plan	
		Water	Waste water	Storm water		
					Total	%Inc.*
Revenue	148.7	66.5	83.2	12.8	162.5	9.2
Purchases	105.5	48.1	68.2	0.0	116.3	10.2
Gross Margin	43.2	18.4	15.0	12.8	46.2	6.9
Other Revenue	3.1	1.9	0.8	0.4	3.1	0.0
Expenditures						
Maintenance & Installation	13.9	6.7	4.0	3.6	14.3	2.9
General Administration	6.0	2.9	1.6	1.7	6.2	8.3
Other	5.1	2.0	1.0	2.2	5.2	1.9
Lifecycle Contribution - Reserve	21.3	8.7	9.2	5.8	23.7	11.3
Total	46.3	20.3	15.8	13.2	49.3	6.5
Net	0.0	0.0	0.0	0.0	0.0	0.0

Note: %Inc. = Percentage Increase

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 16, 2017

Item 3, Finance Report No. 5 – Page 5

Business Planning and Financial Planning timelines are aligned

Business plans are an important part of the corporate planning process to help establish and reinforce connections between corporate priorities, operational plans and resources. Business plans will continue to align with the multi-year financial planning timeframe in order to align department objectives, measures and pressures. This information is vital to the financial planning process as it sets the stage to assess the departments' requirements and associated resource adequacy. Budget submissions will demonstrate alignment with department business plans. The current Service Excellence Strategy Map will help inform the development of business plans and 2018 Budget. The 2018 Budget will include a summary of each department's key commitments for 2018 and a high level outlook for the 2019-2022 plan.

The timelines have all been set to achieve Council approval of the budget by December

The timetable has been developed to target a meeting of Special Council in early December 2017. This budget process is designed to build the department business plan and financial plan in a systematic and logical manner. Financial Planning and Development Finance (FP&DF) staff will be actively involved with departments to provide assistance with financial plan development as will Transformation and Strategy staff for the Business Plans.

City of Vaughan 2018 Budget and 2019-2022 Plan Process Timetable	
Dates	Activity
May TBD, 2017	Financial and Business Planning Guidelines
May – July, 2017	Development of Business Plans by Administration
May – October, 2017	Development of Budget by Administration
November 2017	Finance, Administration and Audit Committee Deliberations
December 2017	Special Council Meeting with Public Input (Public notice requirement is 14 days)

Relationship to Term of Council Service Excellence Strategy Map (2014-18)

The Property Tax and Rate Based budgets are aligned with the Term of Council Priorities and Service Excellence Strategic Initiatives

The Property Tax based budget is consistent with the Term of Council Priority to meet Council tax rate targets of no greater than three percent. All business plans and proposed budgets are driven by the Strategy Map to achieve Council's priorities, while also investing in the organization itself to help achieve efficiencies and increase Citizen Experience, Operational Performance and Staff Engagement. The relationship and interdependencies between the Strategy Map, business planning and the budget is integral to meeting Council's Vision:

A city of choice that promotes diversity, innovation and opportunity for all citizens, fostering a vibrant community life that is inclusive, progressive, environmentally responsible and sustainable.

Regional Implications

N/A

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 16, 2017

Item 3, Finance Report No. 5 – Page 6

Conclusion

The proposed guidelines represent prudent fiscal management and will help to achieve Council's Priorities and Service Excellence Initiatives per the approved Strategy Map. Specifically, it will also address the priority of limiting property tax rate increases to three per cent over the remaining term of Council. The water/wastewater/storm water budgets are developed to recover the costs of operating and maintenance activities, including regulatory compliance and the purchase of water and wastewater treatment services from the Region of York.

Attachments

1 – Financial and Business Planning Guidelines

Report prepared by:

Jackie Lee Macchiusi, CPA, CGA
Senior Manager of Corporate Financial Planning & Analysis

Sean Skinkle
Finance Manager

Christina Bruce
Senior Manager of Strategic Planning

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