

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 17, 2016

Item 3, Report No. 6, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on May 17, 2016.

3 2017 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 and the Director of Financial Planning and Development Finance, and the Director of Transformation and Strategy, dated May 2, 2016:

Recommendation

The Chief Financial Officer and City Treasurer and the Director of Financial Planning and Development Finance, 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 2017 Budget and 2018 Plan to the November 2016 Finance, Administration and Audit Committee meeting and December 2016 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.

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

Economic Impact

Tax rate increases set to a maximum of three per cent annually for the next two years.

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

Detailed in the following table are the recognized levy forecasts presented as part of the 2017-2018 plan. This forecast includes the budget reduction targets required for the City to achieve the directed three per cent tax rate increase.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 17, 2016

Item 3, Finance Report No. 6 – Page 2

Table 1: 2017-2018 Recognized Plan

\$M	2017	2018
	Recognized Plan	
Gross Operating Expenses	273.4	284.0
Less: Non-Tax Revenue	83.0	83.6
Net Operating	190.4	200.4
Less: Assessment Growth	-5.4	-9.1
Less: Supplemental & PIL	-5.8	-5.8
Less: Efficiency Target	-0.5	-1.2
Net Levy Requirement	178.7	184.3
Incremental Levy	6.1	5.6
Tax Rate Increase	3.00%	3.00%
Total Capital Program	\$144.8	\$67.7

The recognized 2017-18 Plan was developed in alignment with the Strategy Map and included proposed efficiency targets that would enable attainment of Council's tax rate increase target of no greater than three per cent each year. In 2016, departments accomplished \$5.4 million in savings, of which 89% are permanent department savings. These permanent savings have assisted in reducing the required expenditure savings in 2017, but a further \$1.7 million would be required to meet the projected target of three per cent.

Revised Assessment Growth Estimates

Recent growth estimates have been revised downward by the Municipal Property Assessment Corporation (MPAC). As a result, staff have amended the budgeted 2017 assessment growth rate from 2 per cent to 1.2 per cent. Consequently, the savings target required to achieve a maximum target of three per cent has been increased from \$0.5 million to \$1.7 million for 2017 and from \$1.2 million to \$2.1 million in 2018.

Communications Plan

Financial planning and business planning guidelines, preliminary budgets and detailed instructions packages will be provided to departments along with information about due dates in May 2016. In addition, department working/training sessions will be offered to staff to assist in preparing their financial and business plans.

A comprehensive multi-channel public communications plan will be developed to support the budget and to help ensure that Vaughan residents have opportunities to be informed and involved in the budget process.

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 key pillar of Service Excellence

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

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 17, 2016

Item 3, Finance Report No. 6 – Page 3

achieve long-term financial sustainability. The initial step in this process is the approval of the 2017 Budget Guidelines (Attachment 1), which helps set the parameters within which the administration will proceed with developing the upcoming budget.

A new Financial Framework is being developed to meet the fiscal challenges of the City

One of the identified Service Excellence initiatives is the development of an overall sustainable fiscal framework that would also assist in demonstrating value for money for City programs and services. The financial framework will establish fiscal principles, review the current practices, develop new fiscal and budget control policies, and establish long-range financial forecasts to ensure the long term financial viability of the City. This initiative also includes the Development Charges Background Study Update.

The financial framework is one of the ten Service Excellence Initiatives as presented at the April 4th Financial, Administration and Audit Committee. The work to be completed through the Service Excellence initiatives should assist the City to develop plans to optimize existing resources to improve service delivery and achieve Council's tax rate increase target of no greater than three per cent each year until 2018 and help the City keep the tax rate increases manageable over the long term.

The following guidelines that were introduced during the 2016 budget process continue to be in place for the 2017 budget process:

- Cost increases must be absorbed through offsets or efficiencies
- Separate evaluation process for growth-related and new Additional Resource Requests (ARRs)
- Previously submitted ARR's that were not approved must be resubmitted if departments want them considered in this process
- ARR's must be offset (through savings, fees or assessment growth)
- Fees must align with cost recovery policies and a business case / timelines on achievement of cost recovery targets is required if recovery is to be phased in

Savings Targets assigned at the Portfolio/Office level

New for the 2017 budget process, the savings targets have been calculated on a portfolio and office basis. For 2017, the savings target is calculated to be 1 percent, equating to \$1.7 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 department heads will work with their management teams in developing savings proposals that achieve the savings target with minimal impact on services.

Alignment with Business Planning

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. Strategic Planning will support departments to prepare their business plans. A

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 17, 2016

Item 3, Finance Report No. 6 – Page 4

streamlined business planning template will be distributed to departments with the detailed instructions. Budget submissions should demonstrate alignment with department business plans. The 2017 Budget and 2018 Plan will include a summary of each department's key commitments for 2017-2018.

Financial Plan Timetable

This timetable has been developed to target a meeting of Special Council in early December 2016. This budget process is designed to build the department 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.

<i>City of Vaughan 2017 - 2018 Budget Process Timetable</i>	
Dates	Activity
May 2, 2016	Financial and Business Planning Guidelines
May – October, 2016	Development of Budget by Administration
November 2016	Finance, Administration and Audit Committee Deliberations
December 2016	Special Council Meeting with Public Input (Public notice requirement is 14 days)

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

This report is consistent with the Term of Council Priority to meet Council tax rate targets of no greater than three percent.

One of the identified Service Excellence Strategic Initiatives is the development of an overall sustainable fiscal framework that would also assist in demonstrating value for money for City programs and services. The financial framework will review the current practices, develop new fiscal and budget control policies, and establish long-range financial forecasts to ensure the long term financial viability of the City. This initiative includes the Development Charges Background Study Update.

The financial framework is one of the ten Service Excellence Initiatives as presented at the April 4th Financial, Administration and Audit Committee. The work to be completed through the Service Excellence Strategic Initiatives should assist the City develop plans to optimize existing resources to improve service delivery and achieve Council's tax rate increase target of no greater than three per cent each year.

Regional Implications

N/A

Conclusion

The approach, guidelines and actions recommended represent prudent management practices and are appropriate given Council's direction to limit tax rate increases to three per cent over the remaining term of Council.

Attachments

1 – Financial and Business Planning Guidelines

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 17, 2016

Item 3, Finance Report No. 6 – Page 5

Report prepared by:

Jackie Lee Macchiusi, CPA, CGA
Senior Manager of Corporate Financial Planning & Analysis (x8267)

(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.)