

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF DECEMBER 11, 2012

Item 1, Report No. 13, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on December 11, 2012.

1 DRAFT 2013 CAPITAL BUDGET AND 2014 – 2016 CAPITAL PLAN

The Finance and Administration Committee recommends:

- 1) That the following report of the City Manager, the Commissioner of Finance & City Treasurer, and the Director of Budgeting and Financial Planning, dated November 26, 2012, be approved;**
- 2) That staff prioritize the tax funded projects (those projects that are solely from taxation) and report back to the next Finance and Administration Committee meeting;**
- 3) That the funds for Capital Project PK6387-13 be re-allocated in its entirety to continue the off-road trail system for Bartley Smith Greenway in Ward 1;**
- 4) That the presentation by the Commissioner of Finance & City Treasurer and the Director of Budgeting and Financial Planning, and C4, presentation material, entitled “Draft 2013 Capital Budget and 2014-2016 Capital Plan”, dated November 26, 2012, be received;**
- 5) That the following deputations be received:**
 - 1) Mr. Sam Maltese, Royal Ridge, Maple;**
 - 2) Ms. Winnie Du, Esther Crescent, Thornhill; and**
 - 3) Mr. Savino Quatela, Grand Valley Boulevard, Maple; and**
- 6) That the following communications, be received:**
 - C1 Memorandum from the Director of Engineering Services and the Director of Budgeting and Financial Planning, dated November 26, 2012;**
 - C2 Memorandum from the Fire Chief and the Director of Budgeting and Financial Planning, dated November 26, 2012; and**
 - C3 Confidential Memorandum from Legal Counsel, dated November 23, 2012.**

Recommendation

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

That the following report on the Draft 2013 Capital Budget and 2014-2016 Capital Plan be received for information and discussion purposes.

Contribution to Sustainability

Sustainability by definition focuses on the ability to maintain a function over a period of time. The capital budget plan contributes to this action by developing a multi-year program that balances the timing and funding of infrastructure renewal, development projects and corporate initiatives, which are essential to build and maintain the City. Moving forward, future planning will become increasingly important to assist stakeholders develop sustainable and responsible funding strategies.

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Economic Impact

The Draft 2013 Capital Budget totals \$57.6m and the 2014 to 2016 Capital Budget Plans total \$65.4m, 67.3m and \$103.2m, respectively. Each annual plan is funded from a variety of sources. Illustrated below are the Capital Budget and Plan funding sources and Capital Expenses by department.

| Category | 2013 | | 2014 | | 2015 | | 2016 | |
|----------------------------|------|------|------|------|------|------|-------|------|
| Development Charges | 22.2 | 39% | 28.4 | 43% | 33.2 | 49% | 70.4 | 68% |
| Reserves | 11.9 | 21% | 12.8 | 20% | 9.8 | 15% | 8.9 | 9% |
| Taxation | 7.4 | 13% | 7.8 | 12% | 8.6 | 13% | 9.7 | 9% |
| Gas Tax Funding | 6.0 | 10% | 7.3 | 11% | 7.3 | 11% | 6.6 | 6% |
| Debentures | 9.0 | 16% | 8.9 | 14% | 8.1 | 12% | 7.3 | 7% |
| Grants and Other Financing | 1.1 | 2% | 0.3 | 0% | 0.3 | 0% | 0.3 | 0% |
| Subtotal | 57.6 | 100% | 65.4 | 100% | 67.3 | 100% | 103.2 | 100% |

Note: Due to a few large growth projects and corporate initiatives, the Capital Budget Plan for 2014 to 2016 includes an unfunded balance. This topic will be further discussed in the capital from taxation section.

| Departments | 2013 | 2014 | 2015 | 2016 |
|---------------------------------------|-------------------|-------------------|-------------------|--------------------|
| Engineering Services | 19,938,271 | 21,862,326 | 21,032,764 | 17,643,910 |
| Develop&Transport | 9,394,630 | 13,422,449 | 21,281,237 | 16,577,485 |
| Fire and Rescue Services | 7,974,390 | 2,630,349 | 2,618,750 | 1,600,430 |
| Parks Development | 3,716,230 | 13,682,711 | 5,041,556 | 16,590,740 |
| Public Works - Operations | 2,808,750 | 4,209,875 | 3,753,625 | 7,984,250 |
| Fleet Management | 2,674,800 | 1,768,630 | 435,700 | 295,610 |
| Buildings and Facilities | 2,523,555 | 891,827 | 4,641,327 | 34,211,034 |
| Development Planning | 2,133,734 | 200,000 | 200,600 | 130,000 |
| Vaughan Libraries | 2,110,000 | 2,950,000 | 2,359,200 | 4,908,400 |
| Policy Planning | 1,229,820 | - | - | - |
| Parks & Forestry Operations | 1,134,280 | 1,529,772 | 2,093,342 | 1,187,200 |
| Information & Technology Mgmt. | 1,094,900 | 1,156,700 | 2,947,900 | 1,249,400 |
| Other Departments | 879,931 | 1,134,600 | 896,770 | 798,040 |
| Total Capital Budget Plan Exp. | 57,613,291 | 65,439,239 | 67,302,771 | 103,176,499 |

Operating Budget Implications

| Items | 2013 | | 2014 | | 2015 | | 2016 | |
|------------------------------|-----------|----------|-----------|----------|-----------|----------|-----------|----------|
| | \$ | Tax Rate | \$ | Tax Rate | \$ | Tax Rate | \$ | Tax Rate |
| Operational Requirments | 2,001,989 | 1.35% | 882,559 | 0.56% | 2,318,610 | 1.40% | 1,813,853 | 1.05% |
| Debenture Financing | 584,369 | 0.39% | 1,161,355 | 0.74% | 1,688,217 | 1.02% | 2,745,130 | 1.59% |
| Infrastructure Contributions | 686,361 | 0.46% | 677,086 | 0.43% | 716,628 | 0.43% | 1,292,962 | 0.75% |
| Subtotal | 3,272,719 | 2.20% | 2,721,000 | 1.73% | 4,723,455 | 2.85% | 5,851,945 | 3.39% |

- The above balances were incorporated in the Draft 2013 Operating Budget and the 2014-2016 Plan presented on November 12th, 2012.

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- Due to more current information, the original estimates for debenture financing were slightly reduced. This action will reduce the Draft Operating Plan and the associated tax rate increase accordingly (2013 \$322k and 0.22%, 2014 \$294 and 0.18%, 2015 \$256k and 0.15%, and 2016 254k 0.13%). These results will be reflected in future operating budget updates
- Should Council approve additional capital projects or move projects forward there could be cost and tax rate implications associated with the Draft Operating Budget and Plan.

Communication Plan

Public consultation is integral to building the budget

As part of the budget process and integral to building the budget, opportunities for public engagement, consultation and input are available. These opportunities consist of the following:

- ❖ Information posted on the City website
- ❖ Public Finance & Administration Committee/Council meetings
- ❖ A community survey
- ❖ An educational and interactive municipal budget simulation to generate awareness

Listed below are scheduled Finance and Administration Committee meeting dates.

| | |
|-------------------|-------------------|
| November 12, 2012 | 9:30am – 12:00 pm |
| November 26, 2012 | 7:00pm – 10:00 pm |
| December 3, 2012 | 9:30am – 12:00 pm |
| December 10, 2012 | 7:00pm – 10:00 pm |
| January 14, 2013 | 7:00pm – 10:00 pm |
| January 21, 2013 | 9:30am – 12:00 pm |

Final Opportunity for Community Input / Budget Approval Communication

In addition to the above section, a Special Council meeting will be scheduled in late January to early February, before budget approval, to provide the public with a final opportunity to comment on the Proposed 2013 Budget and 2014-2016 Plan. This meeting will be advertised in advance, consistent with the City's public notification by-law.

Public Notification: In the interest of increasing the community's awareness, these meetings will be advertised on:

- The City's website
- Through local media partners, social media, etc.
- On City mediums such as TV monitors in City Hall, posters at community facilities, etc

Location: Vaughan City Hall, 2141 Major Mackenzie Dr.

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Purpose

The purpose of this report is to provide the Finance & Administration Committee with information and details regarding the Draft 2013 Capital Budget and 2014-2016 Capital Plan and corresponding operating implications.

This report is the second of a series of budget reports that build the City's budget.

Background – Analysis and Options

Executive Summary

Shaping the Future

As the City moves forward, financial sustainability must continue as one of Vaughan's key priorities. Over the next decade, the City of Vaughan is expected to undergo a tremendous transformation fuelled by sustained high growth rates and a number of vision based master plans reflecting important community needs. Therefore, there is a need to broaden the capital budget horizon and unveil the future. Recognizing these challenges and building on the financial planning efforts to date, the capital budget now incorporates a future focus to provide citizens with more certainty about the direction of the City's corporate and capital projects. Last year the concept of multi-year capital budgeting was introduced, beginning with a two year plan. In 2013, the City is presenting a four year plan. This action provides decision makers with added foresight and the ability to proactively address future challenges and understand longer-term financial implications of present and past decisions. This is a very strategic approach intended to generate discussion on where the City's future capital resources should be focused to best support corporate initiatives, generate public value, and address pertinent challenges. It should be recognized that assumptions and uncertainty are common practice when predicting future budgets and these factors may change as new information becomes available.

"For this reason, it is suggested that Council only approve the first year budget and recognize future capital plans for the purpose of shaping future years."

This will provide flexibility to review and adjust future budgets before approval. As a result, budget decisions should become easier and flow naturally as future requirements are discussed and adjusted over multiple processes before approval.

The Process of Building the Capital Budget

In the preparation of the Capital Budget a number of issues were taken into consideration. The pressures of maintaining existing infrastructure and growth requirements were balanced against available funding, the impact on future operating budgets and the staff resources to undertake and manage capital projects.

Guided by the Vaughan Vision, the Corporate Planning process and the business planning efforts, departments prepared capital project submissions for a 4 year period. Following the initial submissions, Finance staff met with the individual departments to review projects and clarify available funding. Departments then prioritized capital projects within each funding source. For funding sources with competing department interests, primarily Capital from Taxation, the Directors Working Group was leveraged. This action was new to the process and will continue as part of the process. The Capital Budget was then submitted to the Senior Management Team for review. As a result some projects were adjusted, redistributed within planned 2014-2016 years, or deferred beyond the plan. The below chart illustrates the transition of submitted capital requests in to a more balanced plan.

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| Capital Projects | 2013 | | 2014 | | 2015 | | 2016 | |
|----------------------|------|------|------|-------|------|------|------|-------|
| | # | \$ | # | \$ | # | \$ | # | \$ |
| Original Submissions | 301 | 69.2 | 209 | 149.3 | 130 | 87.7 | 125 | 76.2 |
| Draft Capital Budget | 231 | 57.6 | 181 | 65.4 | 141 | 67.3 | 112 | 103.2 |

Guiding Policies

As a result of the City's long standing dedication to financial management, through progressive best practices and prudent policies, the City is in a strong financial position. Over time, the City has developed a series of guiding financial policies and targets to assist in developing the Capital Budget, which generated a positive impact on the financial stability of the City of Vaughan. They are listed as follows:

| Policy | Estimated @ December 31st | | | | | Target |
|-----------------------------|---------------------------|-------|-------|-------|-------|----------------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | |
| Discretionary Reserve Ratio | 72.3% | 68.2% | 65.1% | 65.8% | 68.8% | >50% of own source revenue |
| Working Capital Ratio | 12.7% | 12.2% | 11.9% | 11.7% | 11.4% | >10% of own source revenue |
| Debt Level Ratio* | 6.0% | 6.3% | 6.6% | 6.5% | 6.2% | <10% of own source revenue |

*- Includes commitments for OSA and Vaughan Sports Complex.

- Ratios are affected by contribution and own source revenue forecasts

- 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 2013 discretionary reserve ratio is related to a number of capital projects and reserve transfers.
- Working capital funds provide in-year cash flow requirements. This ratio is relatively stable over the 4 year term, but does illustrate a slight decline. This is a result of contributions being surplus based, which are not planned or forecasted, 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.

As illustrated above, the City is meeting or exceeding the above Council approved targets.

Based on the above noted financial policies, Finance staff have assessed the availability of funding and established funding lines within each funding source. It should be noted, that a long standing City practice is only capital projects with secured available funding sources are recommended, otherwise specific Council approval is required.

Budget Updates

The budgeting process is constantly evolving to the needs and requirements of departments, management, Council and residents. Brief highlights are detailed within this section:

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New Information

The Draft 2013 Capital Budget and 2014-2016 Plan is based on information at a point in time and as the budget process unfolds new information may become available through deputations, staff items or Committee/Council decisions. Adjustments will be consolidated into a final proposed budget and presented to the Community and Council at a public input session at the end of the process.

Development Charge Background Study

The City's Development Charge Background Study is currently underway and scheduled for review and approval in 2013. This document is a key input into the capital budget, as it provides the basis for development charges, reserve collections, and guidance regarding the nature and timing of development related projects. Staff have worked with consultants to incorporate current information, but the study and associated rates are not final and decision makers should be aware there is a risk that changes may impact the capital plan.

Consolidated Reserve Policy

On October 29th, 2012 staff presented a "Consolidated Reserve Policy" to the Finance and Administration Committee. In addition to policy updates, included within the report are a number of recommendations related to creating new reserves, merging similar reserves, and realigning reserve balances. The item and policy will be discussed at the November 20th, 2012 Council meeting and upon approval the recommended adjustments will be incorporated into the Draft Capital Budget and Plan. This action will not impact capital projects, but the realignment will change individual reserve balances.

Financial Master Plan – Infrastructure Financing Strategy

Recently the City developed a Financial Master Plan, which is an important tool to evaluate progress towards achieving financial sustainability. This document is intended to serve as a starting point for discussions on specific solutions to future challenges, of which infrastructure funding is identified as a top priority. Addressing the infrastructure replacement funding gap will take time and any decision to fund these future-oriented expenses will impact tax rates and/or user fees. The Financial Master Plan presents several possible approaches for Council consideration. The actions as designed to guide the municipality towards financial sustainability and are required to ensure the City is able to safeguard the community's infrastructure network, overall quality of life and the economic health for future generations. The above recommended approaches to fund the infrastructure gap will be the topic of a future 2013 Committee report.

Capital Budget & Plan Overview by Funding Source

The Capital Budget and plan is based on more than 600 projects covering a number of departments. To assist stakeholders in assessing the Draft 2013 Capital Budget and 2014-2016 Capital Plan, the overall financial perspective is summarized by funding source. The following section is dedicated to providing capital highlights associated within the following funding sources:

- A. Development Charge (DC) Reserves (Development Industry Funded Projects)
- B. Capital Reserves
- C. Debenture Funding
- D. Capital from Taxation
- E. Municipal Gas Tax Funds (AMO)

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A) Development Charge (DC) Reserves (Development Industry Funded Projects)

Development Charge Reserves are based on the City's growth and are in place to maintain historical service levels. Stakeholders are cautioned that development charge reserve collections are dependent on the economy and therefore 2013 and future capital plans may require adjustment to account for potential upswings or downward trends. For forecasting purposes, collections are conservatively estimated at approximately 80% of growth revenue projections and utilize draft DC rates. As mentioned earlier, the City is currently updating the Development Charges Background Study and changes could easily impact future forecasts.

For projects funded from Development Charges, the following guidelines previously approved by Council were taken into consideration:

- 1) Reserve balances should remain positive and not placed into a pre-financing position
- 2) Pre-financing should not be increased
- 3) Commit no more than 50% of annual revenues for reserves in a pre-financed position

Based on the above endorsed guidelines, Finance staff assessed funding availability and established annual funding lines for each Development Charge Reserve. Within each reserve, capital projects were prioritized by the related departments. Highlighted below is the consolidated budget for this funding source and major associated capital projects:

| 2013 Budget 22,198,006 | 2014 Plan 28,400,656 | 2015 Plan 33,187,098 | 2016 Plan 70,406,531 |
|---|---|---|--|
| <u>Major Projects</u> Block 27/41 Secondary Plans Fire Station 7-3 Const Station 7-5 Pumper Block 11 Valley Rd Crossings North Maple Bridge Design Black Creek Renewal | <u>Major Projects</u> Civic Centre Library Furniture Maple North Park VMC Storm Water Mgmt Pond Block 64 Valley Crossing Black Creek Renewal Kleinburg Nashville Watermain | <u>Major Projects</u> Carrville CC Design Carrville Branch Library Design Black Creek Renewal VMC Storm Water Mgmt Pond Kleinburg Nashville Watermain Block 61 Pedestrian Crossing | <u>Major Projects</u> Carrville CC Construction Carrville Branch Library Const New West Yard Maple North Park Black Creek Renewal Kleinburg Nashville Watermain |

Note: More specific detail can be found in attachment #2

Negative Reserve Balances

As per policy, the City will only approve capital projects if funds are on hand. However, there are the following two exceptions:

- 1) Management Studies - Due to timing of events this reserve is permitted to be in a deficit position. Growth related studies are incurred in advance of growth and recovered through subsequent development charges.
- 2) Fire DC Reserve - A Council commitment to move forward with Fire Station 7-10 has temporarily placed this reserve into a pre-financing negative reserve position, which through future collections and spending constraints is anticipated to recover to a positive balance by 2015.

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B) Capital Reserves

Infrastructure Reserves

A prevailing theme throughout the years has repeatedly been the need to address the funding component for infrastructure renewal. Included in the 2013 Capital Budget and 2014-2016 Capital Plans are infrastructure reserve funds for this purpose. These are illustrated below.

| By Funding Source | 2013 | 2014 | 2015 | 2016 |
|----------------------------|------------------|-------------------|------------------|------------------|
| Fire Equipment Reserve | 2,363,990 | 2,469,449 | 1,003,650 | 1,522,100 |
| Heritage Reserve | | | 25,750 | |
| Parks Infra. Reserve | 1,110,300 | 469,059 | 901,917 | 732,171 |
| Post 98-B&F Infra. Reserve | 282,734 | 125,100 | 125,100 | 125,100 |
| Pre-B& F Infra. Reserve | 2,508,528 | 534,827 | 552,645 | 655,646 |
| Roads Infra. Reserve | 463,500 | 309,000 | | |
| Sewer Reserve | 51,500 | | | |
| Uplands Revenue Reserve | 633,500 | 67,000 | 67,000 | 67,000 |
| Vehicle Reserve | 966,600 | 1,464,730 | 435,700 | 295,610 |
| Water Reserve | 877,816 | 6,692,230 | 6,498,147 | 4,955,044 |
| Grand Total | 9,258,468 | 12,131,395 | 9,609,909 | 8,352,671 |

| 2013 | 2014 | 2015 | 2016 |
|--|--|---|---|
| Replace Freightliner 7956 | Voice Radio Replacement | Fence Repair & Replacement Program | Replace Pumper |
| Expand/Update Crew Quarters - Stn 75 | Replace Volvo Pumper | Replace Rescue Truck | Road Rehabilitation and Watermain Replacement |
| Kleinburg Library Building Repairs and Improvements | Road Rehabilitation and Watermain Replacement | Road Rehabilitation and Watermain Replacement | Replace Haz Mat |
| Uplands Golf & Ski Centre - Irrigation/Snow Making Water Systems | Storm Water Management Facility - Pine Vally Dr. at Club House | | |

It should be noted, infrastructure renewal is also funded from other sources discussed within this report, such as capital from taxation, debentures, gas tax, etc. The total annual capital budget allocated to infrastructure renewal averages \$25m/year or approximately 40% of capital plan.

There are two infrastructure replacement reserves that are currently experiencing significant challenges.

Parks Reserve: This reserve is used to fund the replacement of play structures, play fields, courts, water parks, paths, etc. For the most part, the funding for park infrastructure renewal, excluding land, has remained flat at \$275,000, despite annual collections for new infrastructure in the \$6m+ range. In addition, the Parks Reserve projects are significantly constrained as anticipated requirements are well above funding availability. This is further supported through annual amortization figures of approximately \$3 million. On October 28th, a policy report was presented to redistribute reserve balances, but this is only a partial solution and without added permanent contributions this situation will reoccur.

Vehicle Reserve: This reserve is used to fund the replacement of City's vehicles and equipment. Renewal funding for this purpose was discontinued in 2005 and as a result the

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Vehicle reserve will be substantially depleted by 2014. On October 28th, a policy report was presented to redistribute reserve balances, but this is only a partial solution and without added permanent contributions this situation will reoccur.

The Infrastructure Challenge

The challenge of funding the significantly growing costs of infrastructure renewal is a paramount concern for most municipalities across Canada and stems from new construction being primarily funded by the development industry, leaving the municipalities across Ontario to fund future replacement costs from the municipality's limited tax base. The danger of not doing so could create a situation where the funding shortfall will continue to slowly build until a point in the future where a wave of facility, park, fire and other replacement projects come on board without available funding. This picture threatens the community's overall quality of life and the economic health for future generations. As a result, a number of reports and initiatives have come forward to support this challenge, including:

1. Multi-Year Budgeting – To provide visibility regarding future financial requirements.
2. Asset Management – The City has undertaken a city-wide asset management initiative
3. Infrastructure Renewal Policy – To ensure annual replacement contributions are in place for new capital projects based on lifecycle principles.
4. Reserve Policy Update – In addition to policy updates, this action incorporated a realignment of reserve balances and expansion of surplus allocation to support infrastructure.
5. Financial Master Plan – Recently the City developed a Financial Master Plan, which earmarked infrastructure funding as a top priority long with funding approaches.

The above actions are designed to guide the municipality towards financial sustainability and are required to ensure the City is able to safeguard the community's infrastructure network. Staff will continue to educate and communicate the issue and future reports are planned for 2013.

Other Reserves

In addition to infrastructure reserves, the City has established a number of reserves to help manage municipal finances and protect against the potential need to reduce service levels or raise taxes due to temporary revenue shortfalls or unexpected expenditure increases e.g. Tax rate stabilization, Working Capital, Debenture reserves, etc. Generally, these reserves provide transfer funding to the operating budget when required and typically have very few capital related project submissions. It should be noted, these reserve balances substantially contribute to achieving the City's Discretionary Reserve Ratio Policy.

C) Debenture Funding

Debenture Funding is primarily utilized for the City's road and bridge replacement program, due to the overall substantial asset value and its lengthy life cycle. Utilizing long-term debt aids in smoothing these costs over time. Based on the "Pavement Management Program" and bridge repair requirements, project values planned for the 2013 Capital Budget and 2014-2016 capital plan are as follows:

| | 2013 | 2014 | 2015 | 2016 |
|--------------------|-----------|-----------|-----------|-----------|
| Debenture Projects | 9,024,689 | 8,910,658 | 8,136,579 | 7,297,717 |

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Where funding opportunities exist, available gas tax funding was utilized. This is a primary reason why forecasted figures decline over time. In addition, to freeing up future flexibility this action reduces the interest component associated with this funding source.

As illustrated in a previous section, debenture funding is well within the 10% policy target.

D) Capital From Taxation

Projects identified for capital from taxation funding consist of two types:

- Non-growth related projects which have no other funding source such as new initiatives, technology replacement, new infrastructure beyond development charge service levels, etc.
- Development charge capital project co-funding requirements, as specified in the Act, typically 10% for soft services e.g. libraries, recreational complexes, parks, vehicles, related studies, etc), but could be higher depending on the benefit to the existing population.

The Draft Operating Plan allocates \$7,391,474 each year to “Capital From Taxation” funded capital projects. Allowable inflationary increases, as per policy, were deferred until 2017 to phase in the 2013 increase recognized by Council during last year’s budget process. Finance staff along with the Director’s Working Group reviewed and prioritized capital project submissions, which were then forwarded to the Senior Management Team (SMT) for further review and prioritization. The criteria used to prioritize projects within a funding source include, but are not limited to consideration of the following:

- Pre-Budget approval obtained
- Funds required to complete previously approved projects
- Legal or Regulatory requirements (including financial commitments)
- Net revenue generating, cost savings or efficiency improvement projects
- Growth related projects
- Infrastructure repair projects
- Equipment replacement projects
- New service levels

As a result, some projects were redistributed within the 4 year capital plan and others deferred beyond the plan’s horizon. However, due to a number of large growth projects and corporate initiatives, there still remains an unfunded portion in the 2014, 2015 and 2016 years. This highlights pressures the City is facing to balance existing services, growth requirements and corporate initiatives against limited available funding. Staff will meet prior to next year’s budget cycle to deal with the shortfall. The table below highlights the project types, budgets, the extent of the funding shortfall in the outer years, and value of original submissions.

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| Capital From Taxation - Draft Submissions | | | | |
|---|-----------|-----------|-------------|-------------|
| Project Type | 2013 | 2014 | 2015 | 2016 |
| Legal and Regulatory | 520,150 | 309,425 | 113,725 | 175,100 |
| Health & Safety | 38,200 | 126,275 | | |
| Growth Co-Funding | 3,124,366 | 1,491,055 | 1,172,696 | 5,820,286 |
| Technology Initiatives | 1,887,971 | 2,153,000 | 3,974,920 | 1,389,400 |
| Annual Replacement Program | 1,196,988 | 1,297,888 | 1,275,228 | 2,161,678 |
| New Initiatives | 623,799 | 2,432,235 | 2,110,964 | 192,700 |
| Total | 7,391,474 | 7,809,878 | 8,647,533 | 9,739,164 |
| Available Funding | 7,391,474 | 7,391,474 | 7,391,474 | 7,391,474 |
| Difference | - | (418,404) | (1,256,059) | (2,347,690) |

| | | | | |
|----------------------|------------|------------|------------|------------|
| Original Submissions | 12,640,981 | 38,317,895 | 25,813,568 | 10,565,176 |
|----------------------|------------|------------|------------|------------|

Approval of taxation funded capital requests in excess of the funding illustrated will have an additional impact on the Draft Operating Budget Plan and associated property tax rate.

Below is a brief summary of the major projects (between \$200k to \$4m):

| 2013 | 2014 | 2015 | 2016 |
|--------------------------|-------------------------|----------------------------------|--------------------------|
| Emerald Ash Borer Prog | Emerald Ash Borer Prog | Emerald Ash Borer Prog | Emerald Ash Borer Prog |
| Tree Replacement | Tree Replacement | Tree Replacement | Tree Replacement |
| ITM Asset Renewal | ITM Asset Renewal | ITM Asset Renewal | ITM Asset Renewal |
| Street Light Program | Street Light Program | Street Light Program | Street Light Program |
| Station #73 (relocation) | North Maple Park I(A) | EDMS | North Maple Par1 I(B) |
| Asset Management | Asset Management | Asset Management | Maple Library Reno |
| Public Art Program | Maple Soccer Lighting | Carville CC (Co-funding) | Carville CC (Co-funding) |
| | Sonoma Diamond Lighting | GIS Infra. Inventory | |
| | | Turning Lane (Willis/PineValley) | |
| | | Calvary Church Sports Fields | |

E) Municipal Gas Tax Funds (AMO)

This is a Federally supported program, intended to support Ontario municipalities invest in environmentally sustainable municipal infrastructure projects, such as water, wastewater, solid waste, local roads, bridges tunnels, etc. It comes with the expectation that the investments will see Ontarians enjoying cleaner air, cleaner water and reduced greenhouse gas (GHG) emissions. Where possible, the City will use any remaining funds for Roads Program, which is primarily funded through debt financing, saving on interest costs. The municipality must clearly demonstrate that funding used for a project is incremental and the funding enabled a project implementation, enhanced its scope or accelerated its timing.

Staff reviewed the list of capital projects submitted and with concurrence of AMO staff have identified a number of capital projects eligible under the Municipal Gas Tax Funding Agreement.

Below is a brief summary of the major projects:

- Pavement Management Program
- Sidewalk Upgrades

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- Pedestrian and Bicycle Master Plan Design and Construction
- LED Streetlight Conversion

Total gas tax funded projects submitted in the Capital Plan are shown below:

| | 2013 | 2014 | 2015 | 2016 |
|---------|-----------|-----------|-----------|-----------|
| Gas Tax | 6,015,915 | 7,282,215 | 7,282,215 | 6,566,650 |

Actions to Manage Capital Budgets

The budgeting process is constantly evolving to the needs and requirements of departments, management, Council and the community. Detailed within this section are brief highlights of actions that help to manage the capital program.

Actively Closing Projects - Continuing with past practice, staff together with departments review projects to determine if projects can be closed. Any remaining project budget balance is returned to the original funding source. As a result of this action, staff have closed 54 projects in 2012 returning \$2.3m to their original funding sources. These efforts are part of the ongoing quarterly review process.

Consolidated Reserve Policy Recommendations- In addition to policy updates, included within the Oct. 29th report were a number of recommendations related to creating new reserves, merging similar reserves, and realigning reserve balances. Pending approval, this action would reallocate funds to an innovation reserve and infrastructure reserves.

More Detailed Project Information – The capital project sheets have been updated to include project activity timelines, multi-year operating detail, life-cycle detail, implications on other departments, contingency balances, etc.

Leveraging Grant and Subsidy Funding - To support local municipal initiatives, Federal, Provincial, Regional and local agencies deliver grant programs, partnerships, and subsidies which focus primarily on environmental sustainability, infrastructure, economic development, culture, etc. Competition for these resources is high and successful submissions may require strict compliance reporting and conditions. Below are grant programs which are incorporated into the Capital Plan:

- Gas tax funding - \$7.3m annually
- Community Infrastructure Improvement Fund Grant - valued at \$1m (Pending)
- Regional Partnership Program for Trail Signage – valued at \$39,000

Other grants being pursued

- Ontario Tire Stewardship Program
- Creative Community Prosperity Fund
- Cultural Spaces Fund
- Showcasing Water Innovation Fund
- Federal Species at Risk Fund
- Green Municipal Funds

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Summaries, Schedules and Capital Project Detail

Capital Project Listing and Funding Summaries Schedules

To assist the reader review the Capital Budget a listing of all projects by year for each department is provided as Attachment #1. Also provided, in Attachment #2, are capital project summaries by funding source by year.

Reserve Continuity Schedules

Attachments #3 and #4 provide continuity schedules for all City reserves. Attachment #3 illustrates the estimated balances at the end of 2012. Attachment #4 shows the forecasted reserve continuity for 2013 through to 2016.

Detailed Capital Project Submissions

Attachment #5 includes all capital project summaries in department and project number sequence. The attachment is large and is available through the City Clerk's department or electronically on the City's website.

Relationship to Vaughan Vision 2020/Strategic Plan

The budget process links to the Vaughan Vision 2020 through the setting of priorities and allocation of resources. Incorporated in the Capital Plan are the following resources supporting the City's preferred initiatives.

- \$103k - Further evolve performance indicators
- \$2.1m - Develop and implement a corporate-wide asset management system
- \$14.7m - Develop a plan to build a dynamic Vaughan Metropolitan Centre (VMC)

In addition, there are also resources allocated to other Vaughan Vision strategic initiatives.

Regional Implications

Not applicable

Conclusion

The City Manager with the Senior Management Team, the Director's Working Group and finance staff reviewed the 2013 Capital Budget and 2014-2106 Capital Plan, established priorities and appropriate funding lines. The Draft Capital Budget and Capital Plan funding sources are listed below.

| Category | 2013 | | 2014 | | 2015 | | 2016 | |
|----------------------------|------|------|------|------|------|------|-------|------|
| Development Charges | 22.2 | 39% | 28.4 | 43% | 33.2 | 49% | 70.4 | 68% |
| Reserves | 11.9 | 21% | 12.8 | 20% | 9.8 | 15% | 8.9 | 9% |
| Taxation | 7.4 | 13% | 7.8 | 12% | 8.6 | 13% | 9.7 | 9% |
| Gas Tax Funding | 6.0 | 10% | 7.3 | 11% | 7.3 | 11% | 6.6 | 6% |
| Debentures | 9.0 | 16% | 8.9 | 14% | 8.1 | 12% | 7.3 | 7% |
| Grants and Other Financing | 1.1 | 2% | 0.3 | 0% | 0.3 | 0% | 0.3 | 0% |
| Subtotal | 57.6 | 100% | 65.4 | 100% | 67.3 | 100% | 103.2 | 100% |

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As illustrated within the report, the City is meeting Council approved capital policy targets. Operating budget implications associated with the above plans are incorporated in the Draft 2013 Operating Budget and the 2014-2016 Plan, which was presented on November 12th, 2012. These costs are illustrated below:

| Items | 2013 | | 2014 | | 2015 | | 2016 | |
|------------------------------|-----------|----------|-----------|----------|-----------|----------|-----------|----------|
| | \$ | Tax Rate | \$ | Tax Rate | \$ | Tax Rate | \$ | Tax Rate |
| Operational Requirments | 2,001,989 | 1.35% | 882,559 | 0.56% | 2,318,610 | 1.40% | 1,813,853 | 1.05% |
| Debenture Financing | 584,369 | 0.39% | 1,161,355 | 0.74% | 1,688,217 | 1.02% | 2,745,130 | 1.59% |
| Infrastructure Contributions | 686,361 | 0.46% | 677,086 | 0.43% | 716,628 | 0.43% | 1,292,962 | 0.75% |
| Subtotal | 3,272,719 | 2.20% | 2,721,000 | 1.73% | 4,723,455 | 2.85% | 5,851,945 | 3.39% |

Future adjustments resulting from budget deliberations will be consolidated into a final proposed budget, which will be presented to the Community and Council at a public input session at the end of the process.

Attachments

Attachment #1 - Capital Project Listing by Department
Attachment #2 - Capital Project Summaries by Funding Source
Attachment #3 - 2012 Reserve Continuity
Attachment #4 - 2013-2016 Reserve Continuity
Attachment #5 - 2013-2016 Capital Project Detail Sheets

(Available at the Clerk's Dept. and the City's Website)

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