

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 5, 2013**

Item 2, Report No. 15, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on February 5, 2013.

*Councillor Iafrate declared an interest with respect to Item 2, Finance and Administration Committee Report No. 15, DRAFT OPERATING BUDGET & PLAN UPDATE as it relates to the corporate contingency account, being the potential funding source for changes in wages and benefits, on the basis that her spouse is an employee of the City of Vaughan, and did not take part in the discussion or vote on the matter.*

**2 DRAFT OPERATING BUDGET & PLAN UPDATE  
(Referred)**

**The Finance and Administration Committee recommends:**

- 1) That if the Glen Shields Football Club can demonstrate that they can have a third party partnership available to provide funding for a change room/field house facility at the location of the Concord Thornhill Regional Park artificial turf field, that staff explore the opportunity for a public-private partnership for such a project at this site;**
- 2) That the following deputations be received:**
  - 1) Mr. Nick Pinto, West Woodbridge Homeowners Association, Mapes Avenue, Woodbridge;**
  - 2) Mr. Michael Pozzulo, Dufferin Street, Thornhill;**
  - 3) Mr. Jeffrey Stone, Bathurst Street, Vaughan, and**
  - 4) Mr. Richard Lorello, Treelawn Boulevard, Kleinburg;**
- 3) That the following communications be received:**
  - C1. Memorandum from the Chief Information Officer and the Director of Budgeting and Financial Planning, dated December 10, 2012;**
  - C3. Memorandum from the Commissioner of Finance & City Treasurer and the Director of Budgeting & Financial Planning, dated December 10, 2012; and**
  - C4. Memorandum from the Commissioner of Finance & City Treasurer and the Director of Budgeting & Financial Planning, dated December 10, 2012; and**
- 4) That the report of the Commissioner of Finance and City Treasurer and the Director of Budgeting and Financial Planning, dated December 10, 2012, be received.**

**Recommendation of the Finance and Administration Committee of December 3, 2012**

The Finance and Administration Committee, at its meeting of December 3, 2012, recommended (Item 5, Finance and Administration Committee Report No.14):

- 1) That Clause 1 of the recommendation contained in the following report of the Commissioner of Finance & City Treasurer and the Director of Budgeting and Financial Planning, dated December 3, 2012, be approved; and
- 2) That the Draft Operating Budget & Plan Update be referred to the December 10, 2012 meeting of the Finance and Administration Committee, for consideration of any further updates.

**Report of the Commissioner of Finance & City Treasurer and the Director of Budgeting and Financial Planning, dated December 3, 2012.**

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 5, 2013

#### Item 2, Finance Report No. 15 – Page 2

#### **Recommendation**

The Commissioner of Finance & City Treasurer and the Director of Budgeting and Financial Planning recommends:

1. That the following report illustrating updates and adjustments to the Draft 2013 Budget and 2014-2016 Operating Plan be received for information purposes; and
2. That direction be provided regarding the Senior Management Team's schedule of recommended Additional Resource Requests (ARR).

#### **Contribution to Sustainability**

Sustainability by definition focuses on the ability to maintain an activity over an extended time horizon. Budgeting is the process of allocating limited resources to achieve the City's objectives and established priorities. Responsible budgeting 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**

The net economic impact associated with this report is favourable and illustrated below:

<b>Budget Highlights</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Initial Tax Rate	4.60%	4.70%	4.91%	5.33%
Initial Funding Requirement	\$ 6,827,134	\$ 7,448,327	\$ 8,175,359	\$ 9,306,090
Operating Budget Adjustments - <i>Increase/(Reductions)</i>	\$ (1,366,110)	\$ (614,399)	\$ 126,003	\$ 13,966
Revised Operating Budget Requirement (BASE+ARRs)	\$ 5,461,025	\$ 6,840,069	\$ 8,307,810	\$ 9,326,827
Revised Tax Rate Increase (excl. Hospital Levy)	3.66%	4.30%	4.98%	5.35%
Increase on Avg. Tax Bill	\$44	\$53	\$64	\$70

The above results are substantially lower than original figures reported in the Nov. 12<sup>th</sup>, 2012 Draft Operating Budget and Plan.

#### **Communication Plan**

Not applicable

#### **Purpose**

The purpose of this report is to provide Committee/Council with an update on recent operating budget adjustments and reflect them in the Draft 2013 Budget and 2014-2016 Operating Plan, initially presented on November 12<sup>th</sup>, 2012.

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

Preparation of the Budget begins early in the year. As a result of this early timeline, budget estimates and assumptions are required. It should be noted, the 2013 Draft Operating Budget and Plan was presented much earlier than past years. However, as more current information becomes available, adjustments are necessary to update the Draft Budget and reflect evolving events. Detailed below are budget adjustments that have occurred subsequent to the Draft Operating Budget and Plan presented to Committee/Council on November 12<sup>th</sup>, 2012.

#### **Assessment Growth**

Assessment growth represents the year over year increase as a result of new residential and business construction activity in the City. The Municipal Property Assessment Corporation

## **CITY OF VAUGHAN**

### **EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 5, 2013**

#### **Item 2, Finance Report No. 15 – Page 3**

(MPAC) is responsible for all property assessment related valuation in the Province of Ontario and is mandated to provide the City with a final assessment report in December. As a result, based on interim reports, staff estimated the assessment growth figure based on the best information at hand. The estimated growth figure included in the Draft 2013 Operating Budget was 1.5% or \$2,193,640. Subsequently, City staff received an updated assessment growth figure from MPAC reflecting assessment growth at 1.96% or \$2,866,356 as a result of a larger assessment base. This change translates into a \$672,716 revenue increase, above staff's initial 2013 estimate. It should be noted, this figure is substantially lower than historical averages due to MPAC's focus on re-assessment activities.

#### **Long Term Debt**

At the time the Draft Operating Budget and Plan was presented the Draft Capital Budget and Plan was still under development. As a result, estimates regarding long-term debt were included based on preliminary forecasts. Now that the City's Draft Capital Plan has been finalized and presented an update is required to align the Draft Operating and Capital Budgets. As a result, the net long term debt incremental adjustments are as follows \$287,413 in 2013, \$343,701 in 2014, \$273,179 in 2015 and \$279,748 in 2016.

#### **Great West Life**

Recently employee benefit providers were invited to compete for the City's contract. The result of this process generated a savings of \$187K, as reported at the November 27, 2012 Committee of the Whole item titled "Award of RFP-12-300 Request for Proposal for Group Benefits Program Providers". This adjustment will impact the City's budgeted benefit rate and will apply to all City business units. Due to the effort involved to layer the adjustment into all departments, the savings will be temporarily budgeted within the contingency account. Department budget adjustments will be reflected in a future update, prior to Council budget approval.

#### **Anticipated Labour Savings**

Current practice is to budget for anticipated employee turnover or "churn". This figure is planned for corporately and is used to offset department gapping and vacancy savings that occur throughout the year. A 3.2% rate based on historical trends is applied. As a result, the City's anticipated labour savings is being adjusted in the outer 2014 to 2016 budget years, amounting to budget savings of \$197k, \$174k, and \$145k, respectively. It should be noted there are various unpredictable factors driving anticipated labour savings and estimates are conservatively planned.

#### **Tax Rate Stabilization**

Transfers from the Tax Rate Stabilization Reserve were adjusted to reflect the combined impact of the following two events:

- MPAC's property re-assessment activity will likely generate processing issues and drive subsequent increases in planned tax adjustments. This occurrence is anticipated and accommodated within the Draft Budget. However, the event is not permanent and can be minimized through one-time funding from the Tax Rate Stabilization Reserve. Therefore, a temporary transfer has been applied to maintain a net historical level of tax adjustments, approximately \$2m. Balancing transfers will occur in 2013, 2014 and end in 2015.
- Currently the City relies on \$2.8m in annual continuous Tax Rate Stabilization Reserve funding. As presented in the Financial Master Plan, reliance on continuous reserve funding is unsustainable and generates an element of financial risk. To address this issue, reliance on this funding source will be reduced by \$150,000 per year.

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 5, 2013

#### Item 2, Finance Report No. 15 – Page 4

As a result of the above, the Draft Operating Budget net revenues will increase in 2013 and 2014 by \$200k and \$150k, respectively. The outer 2015 and 2016 budget years will each experience a revenue reduction of \$400k, which will be partially offset by the normalizing of tax adjustments.

#### **Minor Budget Adjustments**

As a result of the early budget timeline, minor adjustments and administrative corrections are anticipated. Listed below are the areas requiring minor adjustments.

- Cost allocations adjustments, related to budget changes, supporting the Building Standards Continuity Reserve allocation
- Removal of a duplicate engineering revenue item, which was accounted for in a related 2013 ARR
- Minor administrative budget adjustments and corrections

The budget adjustments associated with the areas above are as follows;

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Net Budget Adjustment	\$18k	(\$76k)	(\$173k)	(\$39k)

#### **Report Changes** *(Zero Budget Impact)*

##### Reserve Contribution Policy

On November 20<sup>th</sup>, 2012, Council adopted the Consolidated Reserve Policy and Recommendations. As a result, there are minor reporting changes which are now incorporated within the Draft Operating Budget Revenue and Expenditure Summary provided as Attachment #1. These are as follows;

- Merge the Building and Facilities Infrastructure reserves and associated contributions
- The creation of an Information Technology Asset Replacement Reserve funded by its proportionate share of Capital from Taxation.

As a result of the above, the Operating Budget and Plan has been adjusted accordingly. It should be noted; these adjustments only impact budget presentation and do not impact the overall budget or associated taxes.

##### Additional Resource Requests

On November 12, 2012 the Finance and Administration Committee requested that a revised schedule for Additional Resource Requests (ARRs) be provided, indicating the following:

- The year when the requests first came to an annual operating budget
- Identify requests for contract staffing positions

As a result, the Additional Resource Request Summaries were revised and are provided as Attachment #2 for Finance and Administration Committee consideration.

##### New Request

Included in the above, is a new fully offset additional resource request for a Purchasing Card Program Administrator position. This position is fully offset through the conversion of an existing financial services vacant role. Details regarding the program and new position are discussed

# CITY OF VAUGHAN

## EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 5, 2013

### Item 2, Finance Report No. 15 – Page 5

within the Draft Purchasing Card Policy Report placed on the December 3<sup>rd</sup>, 2012 Finance and Administration Agenda. The Additional Resource Request for this position is provided as Attachment #3.

### Relationship to Vaughan Vision 2020 / Strategic Plan

The Budget Process allocates and approves the resources necessary to continue the City's activities and implement Council's approved plans.

### Regional Implications

None

### Conclusion

As a result of the early budget timeline, estimates and assumptions are required. As more current information becomes available and additional review is undertaken, adjustments are needed. Listed below are adjustments, based on current information, applied to the Draft 2013 Budget and 2014-2016 Operating Plan.

<b>Summary of Budget Adjustments</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Favourable/(Unfavourable)				
Assessment Growth	672,716	-	-	-
Long Term Debt	287,413	343,701	273,179	279,748
Great West Life	187,500	-	-	-
Anticipated Labour Savings	-	197,000	174,000	145,000
Tax Rate Stabilization	200,000	150,000	(400,000)	(400,000)
Minor Budget Adjustments	18,481	(76,302)	(173,182)	(38,714)
<b>Total</b>	<b>\$ 1,366,110</b>	<b>\$ 614,399</b>	<b>\$ (126,003)</b>	<b>\$ (13,966)</b>

In addition to the above, there is a need for budget report changes due to the following:

- Council approved Consolidated Reserve Policy recommendations
- Committee request to revise the Additional Resource Requests schedule
- Inclusion of a new fully offset Additional Resource Request

The above three items have a net neutral impact on the Budget. To illustrate the above in more detail updated summaries are provided as Attachment 1 and 2 for Finance and Administration Committee consideration. Provided below is a high level budget overview of the City's revised Draft Operating Budget and Plan.

<b>Components</b>	<b>2013</b>			<b>2014</b>			<b>2015</b>			<b>2016</b>		
	Rate Incr.	\$ (m)	Bill Incr.	Rate Incr.	\$ (m)	Bill Incr.	Rate Incr.	\$ (m)	Bill Incr.	Rate Incr.	\$ (m)	Bill Incr.
Base Budget	1.75%	2.61	\$20.95	2.08%	3.31	\$25.76	1.66%	2.77	\$21.44	3.27%	5.70	\$42.02
ARR	1.91%	2.85	\$22.96	2.22%	3.53	\$27.45	3.32%	5.54	\$42.92	2.08%	3.62	\$28.23
<b>Subtotal</b>	<b>3.66%</b>	<b>5.46</b>	<b>\$43.91</b>	<b>4.30%</b>	<b>6.84</b>	<b>\$53.21</b>	<b>4.98%</b>	<b>8.31</b>	<b>\$64.36</b>	<b>5.35%</b>	<b>9.32</b>	<b>\$70.25</b>
Hospital Levy	0.91%	1.29	\$10.72									
<b>Grand Total</b>	<b>4.57%</b>	<b>6.75</b>	<b>\$54.63</b>	<b>4.30%</b>	<b>6.84</b>	<b>\$53.21</b>	<b>4.98%</b>	<b>8.31</b>	<b>\$64.36</b>	<b>5.35%</b>	<b>9.32</b>	<b>\$70.25</b>

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 5, 2013**

Item 2, Finance Report No. 15 – Page 6

**Attachments**

Attachment 1: Draft Operating Budget Revenue and Expenditure Summary

Attachment 2: 2013-2016 Additional Resource Request Summary

Attachment 3: Purchasing Card Program Administrator ARR

**Report prepared by:**

Ursula D'Angelo  
Manager of Operating Budget  
Ext. 8401

(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.)

*Having not been present at the December 10, 2012 meeting of the Finance and Administration Committee, Councillor Iafrate declared an interest in Finance and Administration Committee Report 15, Item 2, DRAFT OPERATING BUDGET & PLAN UPDATE, as it relates to the corporate contingency account, being the potential funding source for changes in wages and benefits, on the basis that her spouse is an employee of the City of Vaughan.*