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memorandum

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COMMUNICATION	
FAA -	Nov 23/15
ITEM -	1

DATE: NOVEMBER 19, 2015**TO:** MAYOR AND MEMBERS OF COUNCIL**FROM:** LAURA MIRABELLA-SIDDALL, CHIEF FINANCIAL OFFICER/CITY TREASURER
LLOYD NORONHA, DIRECTOR, FINANCIAL PLANNING & DEVELOPMENT
FINANCE/DEPUTY CITY TREASURER**RE:** FINANCE ADMINISTRATION AND AUDIT COMMITTEE – NOVEMBER 23, 2015**DRAFT 2016 BUDGET AND 2017-2018 PLAN (Referred), Item 1**

Recommendation

The Chief Financial Officer/City Treasurer and Director of Financial Planning and Development Finance/Deputy City Treasurer recommend:

1. That, as recommended by the Council Expenditure and Code of Conduct Task Force, an amendment to the Council discretionary office budgets formula to increase the residential rate by \$0.10 for each Local Councillor be approved; and
2. That the Draft Budget Book, Section 9 be amended to include the revised City Council and Corporate sections as outlined in Attachment 2; and
3. That as recommended by the Council Expenditure and Code of Conduct Task Force, the formula for calculating discretionary office budgets be reviewed once during every term of Council.

Purpose

The purpose of this report is to report back on the interim recommendations of the Council Expenditure and Code of Conduct Task Force.

Economic Impact

The proposed amendment to the Council Discretionary Budget Formula can be accommodated from within the Draft 2016 budget and 2017-18 Plan.

Background – Analysis

At the Finance, Administration and Audit Committee meeting of February 2, 2015, the committee recommended that a task force be created to review the Council Office Expenditure Policy and report back by the end of 2015 for consideration in the 2016 budget Process. At the February 12, 2015 meeting of the committee, Regional Councillor Rosati, Councillor Iafrate, Councillor Yeung Racco and Councillor De Francesca were selected as members of the Task Force.

The Task Force has met five times since the adoption of the 2015 budget. A separate communication has been submitted to request an extension to the time frame of this Task Force in recognition of the work that still needs to be completed by the Task Force.

Among the topics of discussion to date, the Task Force discussed the methodology used to calculate Council discretionary office budgets. At the November 18 meeting of the Task Force, staff presented several possible options for consideration to calculate the discretionary office budgets. This report presents the option that was endorsed by the Task Force.

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Non-Discretionary component does not change

Salaries and benefits are determined through a separate process. This means that the non-discretionary portion of Council office budgets is not dependent on the discretionary budget formula. Salaries are derived from Council Remuneration By-law 316-2007 under which the Mayor and the Deputy Mayor receive \$122,849 and \$84,301, respectively, and other Members of Council receive \$76,636. The following table summarizes the non-discretionary portion of Council office budgets:

	Non-Discretionary
Mayor Bevilacqua	153,309
R.C. Di Biase	105,411
R.C. Ferri	93,876
R.C. Rosati	93,876
Ward 1 Iafrate	98,386
Ward 2 Carella	93,506
Ward 3 DeFrancesca	98,386
Ward 4 Yeung-Racco	98,386
Ward 5 Shefman	96,436
Totals	\$931,572

Current: Council Budget Formula set in 2012

The current formula uses ward population and business counts that are derived from information received from the Economic and Business Development department, York Region and distribution by ward prepared by Hemson Consulting for the 2013 OMB ward boundary review.. Population and business rates are then applied to these figures to calculate office discretionary budgets.

The table below summarizes the percentages and rates that would be used to calculate the 2016 office discretionary budgets under the current formula.

	Population	Applied rate	Business Count	Applied Rate
Mayor	50% of total population	\$0.74	50% of total business count	\$1.32
Regional Councillors	34% of total population	\$0.74	34% of total business count	\$1.32
Local Councillors	Ward population	\$0.74	Ward business Count	\$1.32

The total of the resulting calculation for population and businesses is what then makes up each Member of Council's discretionary office budgets.

Each year during the budget process, the population and business counts are updated and the applied rates for population and business counts are indexed in accordance with the Toronto CPI index, rounded to the nearest cent.

The Draft 2016 Budget 2017-18 Plan presented at the November 2 evening meeting incorporated the existing methodology in the calculation of Council office budgets (Section 9, page 58 of the Draft Budget Book or Attachment 1, page 1.66). The table below summarizes the consolidated council budgets, taking into account the non-discretionary and discretionary components of Council office budgets:

(\$M)	2016	2017	2018
Draft Operating Budget	1.57	1.60	1.63

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Task Force Recommends an increase in the residential rate for Local Councillors

One of the Service Excellence Strategic Initiatives in the recently endorsed Term of Council Service Excellence Strategy Map is Citizen Experience. As part of their duties of office, Ward Councillors have day to day contact with the citizens in their wards. It is recognized that there is an increased cost associated with increased citizen engagement. The Task Force recommended an increase of ten cents to the rate applied to the residential population for Ward Councillors to enhance Local Councillors ability to engage with the constituents about local matters.

The following table compares the current rates and proposed rates of the discretionary expense formula:

Formula Component	Current	Proposed
Percentage applied to Population figures:		
Mayor	50%	50%
Regional Councillors	34%	34%
Rate Applied to Residential Population for Local Councillors only	\$0.74	\$0.84
Rate Applied to Residential Population for Mayor and Regional Councillors	\$0.74	\$0.74
Rate Applied to Business Count for all Members of Council	\$1.32	\$1.32

The table below summarizes the impact the adjusted rate would have on Council discretionary office budgets:

Proposed 2016 Discretionary Budgets	Applied Rate		Proposed	Current Draft	Discretionary Impact
	Res.	Bus.			
Mayor Bevilacqua	0.74	1.32	129,556	129,556	0
R.C. Di Biase	0.74	1.32	87,288	87,288	0
R.C. Ferri	0.74	1.32	87,288	87,288	0
R.C. Rosati	0.74	1.32	87,288	87,288	0
Ward 1 Iafrate	0.84	1.32	61,651	54,436	7,215
Ward 2 Carella	0.84	1.32	51,284	45,433	5,851
Ward 3 DeFrancesca	0.84	1.32	62,274	55,260	7,014
Ward 4 Yeung-Racco	0.84	1.32	54,805	49,114	5,691
Ward 5 Shefman	0.84	1.32	59,145	52,354	6,791
Totals			680,579	648,017	32,562

The Mayor and Regional Councillor discretionary office budgets would not change. Local Councillors discretionary office budgets would increase a total of \$32,562 for 2016.

Consistent with the current practice, each year the population and business counts will be updated and the applied rates for population and business counts will be indexed in accordance with the Toronto CPI index, rounded to the nearest cent.

The table below summarizes what the revised Draft consolidated budgets would be, taking into account the non-discretionary and discretionary components of Council office budgets, using the proposed methodology:

(\$M)	2016	2017	2018
Proposed Operating Budget	1.61	1.64	1.67

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Attachment 1 provides the population and applicable rates used in the calculations. Attachment 2 provides the revised section for Council Budgets in the Draft Budget Book.

Formula to be reviewed at the start of each term of Council

The Task Force also recommended that the formula for calculating discretionary office budgets be reviewed once during every term of Council. It is common practice for policies to be reviewed with each new term of Council.

Conclusion

The Council Expenditure and Code of Conduct Task Force recommended an amendment to the calculation of Council discretionary office budgets. This amendment would increase the residential rate applied to the Ward populations by 10 cents. This amendment can be accommodated from within the Draft 2016 Budget and 2017-18 Plan through an internal reallocation from corporate accounts. The Task Force further recommended that the formula for calculating discretionary office budgets be reviewed once during every term of Council.

Attachment

1. Budget Book Sections: City Council and Corporate

Prepared by:

Jackie Lee Macchiusi, CPA, CGA
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Respectfully submitted,



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Chief Financial Officer/City Treasurer



Lloyd Noronha, CPA, CMA
Director of Financial Planning and Development Finance/Deputy City Treasurer

9.1 City Council

9.1.1 Department Overview

The mandate of City Council is to ensure the governance of the City, while committing and dedicating to the task of city building. City Council also promotes the City, as a city of choice, through cultural and economic growth and innovation.

City Council is comprised of:

- Mayor – elected at large by the residents, is the head of Vaughan Council and represents the City at Regional Council meetings.
- 3 Regional Councillors – elected to represent the City at both Local and Regional Council meetings. The Regional Councillor with the most votes is named Deputy Mayor.
- 5 Local Councillors – the City is comprised of five Wards; each Ward elects a member of Council to represent their interests at City Council meetings.

Council governs the city through public council meetings where decisions that have a direct impact on residents are made. These decisions may have an impact on property taxes, service levels and the variety of services provided. Council is the decision-making body responsible for the administration of the City of Vaughan and is responsible for turning community needs into municipal services including fire, community centres, parks, libraries and roads maintenance. This is accomplished through Council meetings, Standing Committees and Advisory Committees that are all open to the public. Members of Council encourage residents to participate in these meetings and provide their input into the decision making process.

Members of Council, through their office budget, also host community events and distribute newsletters to the residents to encourage community engagement and promote the City's accomplishments.

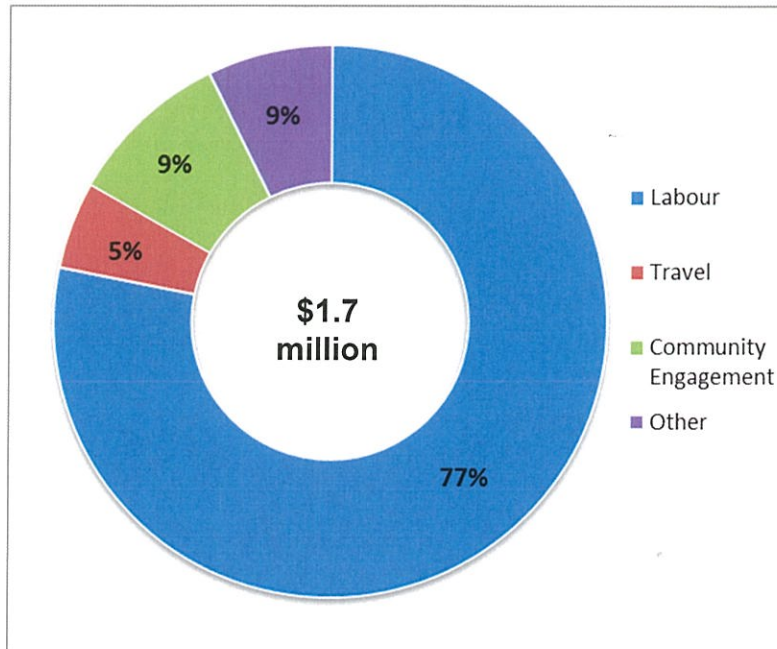
9.1.2 Draft Budget Summary

(\$M)	2016	2017	2018
Revenue			
Total	-	-	-
Expenditures			
Labour	1.2	1.2	1.2
Travel	0.1	0.1	0.1
Community Engagement	0.2	0.2	0.2
Other	0.1	0.1	0.2
Total	1.6	1.6	1.6
Draft Net Operating Budget	1.6	1.6	1.6

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9.1.3 Operating Summary

Draft 2016 Gross Operating Expenditures



Funding Type	\$M	%
User Fees	0.0	0.0%
Taxation	1.6	100.0%
Total	1.6	100.0%

Budget Change: The Council Budgets are calculated based on a methodology and formula which incorporates current population and business counts to determine Council's discretionary budgets. As recommended by the Council Expenditure and Code of Conduct Task Force, there has been an amendment to the Council Discretionary office budgets formula to increase the residential rate by \$0.10 for each Local Councillor.

Budget Change (\$M)	2015	2016	2017	2018
Net Operating Budget		1.6	1.6	1.6
Status Quo		0.0	0.0	0.0
Growth		0.0	0.0	0.0
New		0.0	0.0	0.0
Draft Net Operating Budget	1.6	1.6	1.6	1.7

Full Time Equivalents (FTE's)*	15.2	15.2	15.2	15.2
Council FTE	9.0	9.0	9.0	9.0
Support Staff FTE	6.2	6.2	6.2	6.2

*The above listed are the FTE's included in Council Office budgets. This excludes 10 FTE's for Executive and Administrative Assistants that directly support Members of Council. The budget for these positions resides within the Office of the City Clerk.

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9.8.5.6.1 Corporate Revenue and Expenditures

9.8.5.6.1.1 Department Overview

Corporate captures those activities that affect or support the city as a whole and are outside the scope of one particular department.

Corporate Revenues capture the City's non departmental revenue including reserve revenue transfers, investments and dividends and tax fines and penalties.

Corporate Expenditures include non-departmental expenditures including long term debt, capital from taxation, contingency, infrastructure reserve contributions, OMB professional and hearing fees, tax adjustments and corporate salary gapping.

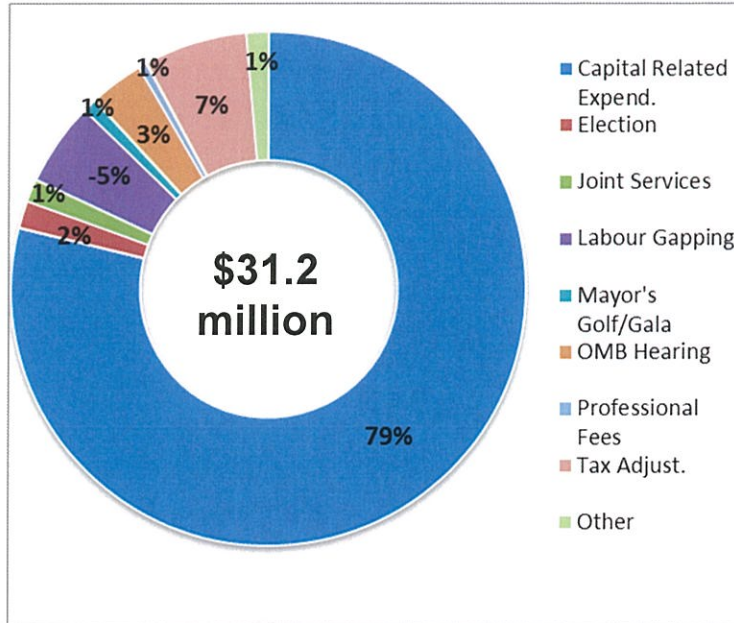
9.8.5.6.1.2 Draft Budget Summary

(\$M)	2016	2017	2018
Revenue			
Fines & Penalties	5.2	5.2	5.2
Reserve Transfers	12.4	10.7	6.1
Dividends & Investments	15.0	13.1	14.8
Payment in Lieu	2.6	2.6	2.6
Other	0.5	0.5	0.5
Total	35.6	32.1	29.2
Expenditures			
Capital Related Expenditures	29.2	27.5	24.8
Election	0.6	0.6	0.6
Joint Services	0.5	0.5	0.5
Labour Gapping	-4.4	-1.8	-1.9
Mayor's Golf/Gala	0.3	0.3	0.3
OMB Hearings	0.5	1.2	1.7
Professional Fees	0.2	0.2	0.2
Tax Adjustments	2.3	2.3	2.3
Other	0.3	0.5	2.1
Total	29.4	31.2	34.4
Draft Net Operating Budget	6.2	0.8	-5.2
Draft Capital Budget	-	-	-

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9.8.5.6.1.3 Operating Summary

Draft 2016 Gross Operating Expenditures



Funding Type	\$M	%
Fines & Penalties	5.2	16.3%
Reserves Transfers	10.7	34.0%
Dividends/Investments	13.1	41.5%
PIL/Other	3.1	9.6%
Total	32.1	100.0%

Budget Change: The Corporate Expenditures and Revenue budgets changed due to an increase in Contingency for future Labour negotiations, increased OMB resources, lower Powerstream Dividends and lower Reserve revenue draws.

Budget Change (\$M)	2015	2016	2017	2018
Net Operating Budget		-6.2	-0.8	5.2
Status Quo		4.6	4.1	5.2
Growth		0.7	0.3	0.0
New		0.0	1.6	0.9
Draft Net Operating Budget	-6.2	-0.8	5.2	11.3

Full Time Equivalents (FTE's)	9	9	9	7
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New Requests: For 2016 & 2017 new resource requests were submitted each year for additional OMB and VMC resources and conversion of current contract roles (2yrs) to permanent positions.

New Requests (\$M)	(FTE's)	2016	2017	2018
OMB – Legal Staff and Resources	0	0.7		
OMB – Policy Planning – Senior Planner	0	0.0	0.1	
OMB – Development Planning – Senior Planner	0	0.0	0.1	
OMB – Parks Development – Senior Planner	0		0.2	
Total	0	0.7	0.4	0.0