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COMMUNICATION
 FAA - NOVEMBER 28/2016
 ITEM - 1

DATE: November 24, 2016

TO: MAYOR AND MEMBERS OF COUNCIL

FROM: LAURA MIRABELLA-SIDDALL, CHIEF FINANCIAL OFFICER AND CITY TREASURER
 LLOYD NORONHA, DIRECTOR OF FINANCIAL PLANNING AND DEVELOPMENT
 FINANCE AND DEPUTY CITY TREASURER
 DEAN FERRARO, DIRECTOR OF FINANCIAL SERVICES AND DEPUTY CITY
 TREASURER

RE: FINANCE, ADMINISTRATION AND AUDIT COMMITTEE – November 28, 2016
 DRAFT 2017 BUDGET AND 2018 PLAN

Recommendation

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

1. That this communication be received.

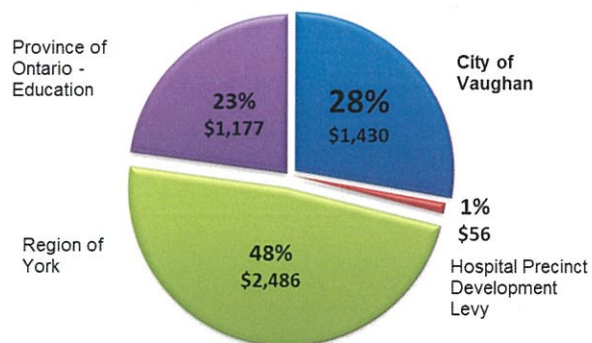
Purpose

The purpose of this communication is to provide more information on the Chart: Average Residential Tax Bill on page 21 of the budget book.

Background

The pie chart illustrates the City's portion of a resident's total tax bill.

The Chart: Average Residential Tax Bill on page 21 of the budget book illustrates the split of the residential tax bill between the City, York Region and Province (Education).

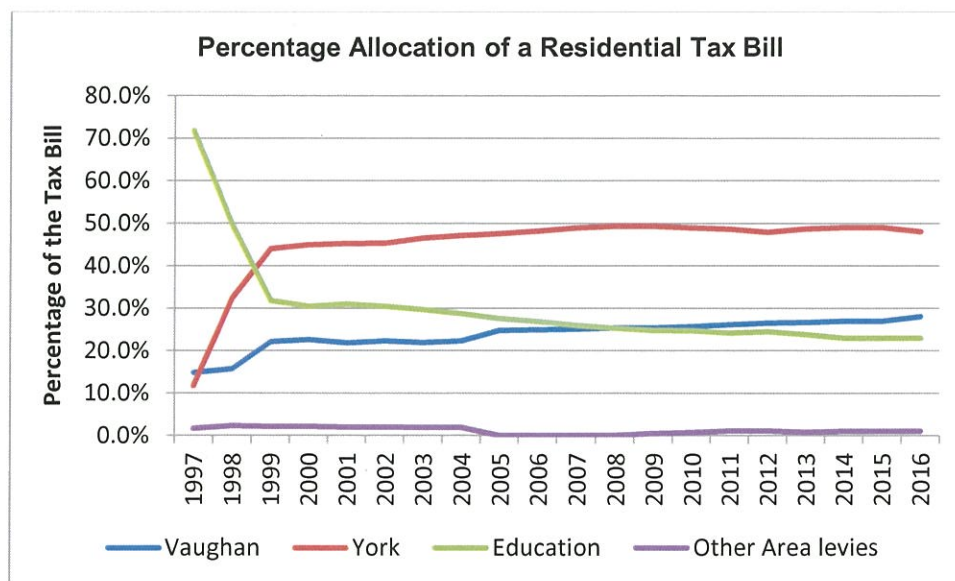


<i>Property Tax Bill</i>	<i>Est. 2017 Property Tax</i>	
City of Vaughan	1,430	28%
Hospital Levy	56	1%
Region of York	2,486	48%
Provincial (Education)	1,177	23%
Total Tax Bill	5,149	100%

The purpose of the chart is to demonstrate that not all the funds collected by the City through the tax bill go to fund City programs and services. The City collects funds on behalf of York Region and the Province for Education. York Region's share is to fund the programs and services offered across the 9 area municipalities.

There are a number of factors that impact the split of the tax rate pie.

A deputation was received illustrating the City's changing portion of the tax bill over several years. To review the allocation of the tax bill across all levels of government that make up a residential tax bill, the following graph expands upon this deputation by including York Region's and the Province's (Education) portion of the residential tax bill.



Between 1997 and 2016, Vaughan's percentage of the tax bill increased from 14.8% to 28.0%. In comparison, York Region's percentage increased from 11.8% to 48% and the Province's (Education) percentage decreased from 71.8% to 23%. During this 20 year timeframe several reasons exist for these large swings in proportional changes, the largest of which is uploading / downloading of services between levels of government. The downloading of services from the Province to Regional/Local levels of government, specifically resulted in a large reduction in education related property taxation.

During a period of greater stability, in terms of less service uploads / downloads between levels of government, Vaughan's portion of the tax bill has remained relatively stable. From 2010 to 2016, Vaughan's portion increased from 25.7% in 2010 to 28% in 2016. This minor fluctuation is mostly explained by the difference in growth rates experienced between Vaughan and York Region. Vaughan has one of the largest forecasted growths in population among the nine municipalities in York Region. For the forecasted population growth in York region (2016)¹ of 1,177,600, Vaughan's population growth represents 20% of this figure, second to Markham's 30%. This is an indication that services in Vaughan have and will likely continue to grow at a pace greater than that of Region of York as a whole and helps explain the minor increase in tax rate portion from 2010 to 2016.

Between 2010 and 2016, Vaughan's population has increased over 16%, from 280,000 to 320,000.

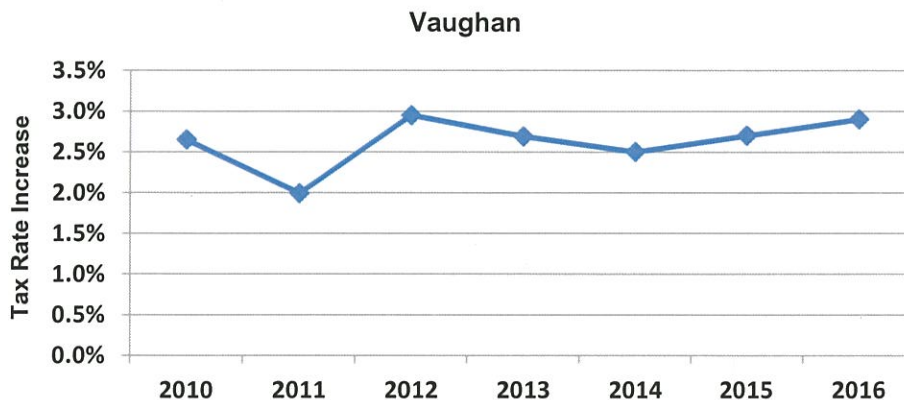
As the City grows, there are increases in the total expenditures required to provide the programs and services to the community. Investments in new initiatives to assist with keeping technologies and methodologies of delivering these services and programs to the community are also required. The incremental tax levy requirement is a result of cost pressures, servicing growth and selected investments in new initiatives. Some of the factors that placed pressure on the property tax rate include:

- Inflation and the impact of escalating labour and external contract costs

¹ York Region, Committee of the Whole, Planning and Economic Development, April 9, 2015, 2041 York Region Draft Growth Scenarios and Land Budget

- New development and population growth that while positive for the City overall, also created budget pressures because of the costs of providing additional service volume
- Timing differences between revenue growth and incremental growth-related costs
- Increasing requirements to set aside adequate funding to pay for the eventual replacement of all of the new community infrastructure that has been put in place
- Investments required to transform City administration and service delivery to ensure that they are as efficient and effective as possible
- Unique pressures of the current cycle, such as the cost to replace trees lost in the December 2013 Ice Storm and need to transition to more sustainable policies for the planned use of reserves and surpluses

The chart below demonstrates the historical tax rate increases from 2010 to 2016:



The increase in the rate has been relatively stable. The City has been able to manage the pressures of growth, price increases and funding of transformational initiatives by finding savings within to mitigate the transfer of these pressures to the community through the tax rate.

Attachment 1 provides excerpts from past budget books to provide a high level summary of the initiatives the City has undertaken between 2010 and 2016.

Attachments

1. 2010 – 2016 Summary of Pressures

Respectfully submitted,


 Laura Mirabella-Siddall, CPA, CA
 Chief Financial Officer and City Treasurer



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



Dean Ferraro, CPA, CA
Director, Financial Services and Deputy City Treasurer

Attachment 1

2010 – 2016 Summary of Pressures

Below are excerpts from past budget books, to provide a high level summary of the initiatives undertaken between 2010 and 2016.

2010 (2.65% tax rate increase, \$1,152 assess value of \$459,367)

Although there are many components to the operating budget, the \$3.3m increase is largely driven by the following:

- Community Facilities new North Thornhill Community Centre and City Hall
- Community Safety- major road repairs and 10 additional firefighters
- Increases for additional service improvements and general city pressures

The remaining portion of the increase relates to additional service improvements (e.g. implementing green direction strategies or renewing the City's economic development strategy, etc.) and general City pressures to maintain levels of service.

2011 (1.99% tax rate increase, \$1,178 assess value of \$472,368)

Although there are many components to the 2011 Operating Budget, the \$2.7m increase is largely driven by the following:

- Transportation Network Improvements - increase for major road repairs
- Traffic Management - increase for roads maintenance and traffic management support
- Community Safety - additional firefighters in the north east quadrant;
- Risk Management - increase for insurance premiums
- Increases for additional service improvements and general city pressures

A substantial portion of the 2011 taxation funding increase is directly related to community safety, traffic and transportation improvements and other general City pressures to maintain levels of service.

2012 (2.95% tax rate increase, \$1,213 assess value of \$485,122)

Although there are many components to the 2012 Operating Budget, the \$4.19m increase is largely driven by the following:

- Community Safety – fire operations & traffic management
- New Infrastructure Related – Thornhill Woods Library (Pleasant Ridge Library, McMillan Farm, road maintenance
- Operational Requirements to Continue City Services – zoning by-law review, support and operational requests
- City Initiatives – operational review, surveys, electronic document management, Vaughan Metropolitan Centre, municipal sponsorship, environment action plans

The remaining increases are driven by staff agreements, contractual obligations, utility needs, and capital funding requirements.

2013 (2.69% tax rate increase, \$1,228 assess value of \$517,000)

Although there are many components to the 2013 Operating Budget, the \$4.01m increase is largely driven by the following:

- Community safety □ Fire operations for Station 7-5 & emergency planning
- Community and library services □ Civic Centre Resource Library, Avondale North Maple Park, ongoing forestry, parks, facility maintenance
- City building initiatives – Vaughan Metropolitan Centre, zoning by □ law review, business development, strategic planning initiatives, public engagement, performance measurement, and environment action plans. Also operational requirements such as Planning and engineering

The remaining increases are driven by staff agreements, contractual obligations, utility needs, prior year recognized and recommended ARRs and capital funding requirements.

2014 (2.50% tax rate increase, \$1,259 assess value of \$551,000)

Although there are many components to the 2014 Operating Budget, the \$3.92m increase is largely driven by the following:

- Community safety □ Fire operations for Station 7-5 & District Chiefs
- Community and library services □ Civic Centre Resource Library, Avondale North Maple Park, ongoing forestry, parks, facility maintenance
- City building initiatives – Vaughan Metropolitan Centre, zoning by □ law review, business development, strategic planning initiatives, public engagement, performance measurement, and environment action plans. Also operational requirements such as Planning and engineering

The remaining increases are driven by staff agreements, contractual obligations, utility needs, full year impacts of prior year additional resource requests and capital funding requirements.

2015 (2.70% tax rate increase, \$1,314 assess value of \$587,000)

Although there are many components to the 2015 Operating Budget, the \$4.4m increase is largely driven by the following:

- Community Safety – full year impact of Station 7-5
- Community and library services – Civic Centre Resource Library, North Maple Regional Park, ongoing forestry, parks and facility maintenance
- City building initiatives - procure to pay implementation, risk management support, public engagement and strategic planning initiatives

The remaining increases are driven by staff agreements, contractual obligations, utility needs, full year impacts of prior year additional resource requests and capital funding requirements.

2016 (2.90% tax rate increase, \$1,367 assess value of \$626,000)

In September 2016, Council approved the Term of Council Service Excellence Strategy Map. The budget was aligned with the term of council priorities and the service excellence strategic initiatives. One of the council priorities is to *Meet Council tax rate targets (no greater than 3%)*.

The budget pressures were presented in the format of the Conceptual Framework: Status Quo, Growth and New Initiatives.

- Status Quo: increase to the amount set aside in contingency to help address unexpected costs that may arise during the year. This increase was offset by aligning salary gapping to historical trends and debt retirements that will decrease debt service cost.
- Growth: relocated Fire Station 7-4, resources to complete a Municipal Comprehensive Review and the full year impact of the Civic Centre Resource Library. There are also volume increases associated with contracts and materials.
- New: New ARRs are primarily proposed to help achieve the Council priorities and Service Excellence initiatives. These include Project Managers and Procurement Analysts that would help to ensure that capital projects are delivered on time and on budget, extending previously approved resources that are helping to deliver the Vaughan Metropolitan Centre and negotiate settlements related to the 2010 Official Plan, proposed implementation of a Joint Municipal Ombudsman and other resources to improve service delivery and drive efficiencies across the organization.