

## CITY OF VAUGHAN

### **EXTRACT FROM COUNCIL MEETING MINUTES OF JANUARY 24, 2017**

Item 3, Report No. 1, of the Finance, Administration and Audit Committee, which was adopted, as amended, by the Council of the City of Vaughan on January 24, 2017, as follows:

***By approving the following in accordance with Communication C1, from the Director of Internal Audit, dated January 20, 2017:***

- 1. That the Financial Planning & Budget Process audit, currently scheduled for 2017 as part of the 2015 – 2018 Internal Audit Risk Based Work Plan, be deferred until the completion of the Financial Sustainability Program and Fiscal Framework Guiding Principles project.***

### **3 FINANCIAL SUSTAINABILITY PROGRAM AND FISCAL FRAMEWORK GUIDING PRINCIPLES**

The Finance, Administration and Audit Committee recommends:

- 1) That the recommendation contained in the following report of the Chief Financial Officer and City Treasurer and Director of Financial Planning & Development Finance and Deputy City Treasurer, dated January 16, 2017, be approved; and**
- 2) That Communication C3, presentation material, entitled, “*Financial Sustainability Program and Fiscal Framework Guiding Principles*”, dated January 16, 2017, be received.**

#### **Recommendation**

The Chief Financial Officer and City Treasurer and Director of Financial Planning & Development Finance and Deputy City Treasurer, in consultation with the Corporate Management Team, the Fiscal Framework Senior Management Advisory Team and the Development Charge By-law Review Senior Management Advisory Team recommend:

1. That the Financial Sustainability Program work plan be received; and
2. That the Fiscal Framework Guiding Principles be endorsed.

#### **Contribution to Sustainability**

This report and attached guiding principles provide a basis for sustainability by providing an overarching framework under which new policies related to financial sustainability may be developed and fiscally sound decisions may be made.

#### **Economic Impact**

All funding required for the Financial Sustainability Program has been approved within the Financial Planning and Development Finance Department's capital budget (Projects BU-0011-16 and DI-0075-15). Additional funding required for the growth forecasting component of work required by the development charge consultants will be funded through the Policy Planning and Environmental Sustainability Department's capital project PL-9550-16.

The outcome of this program will impact the entire corporation as the Fiscal Framework and 2018 Development Charge Background Study and By-laws will be used in future fiscal planning and decision making. The Fiscal Framework and related policy work are intended to provide guidance to several aspects of the corporation's processes such as preparation of operating and capital budgets, management of reserves and debts, use of property tax vs. non-tax revenue and long range fiscal planning.

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**Communications Plan**

As the Financial Sustainability program is of corporate significance and the individual projects are complex with the need for multi-disciplinary teams, it is important to ensure appropriate representation from stakeholders across the City. Therefore several cross functional teams have been identified and a governance model has been developed to align departmental expertise and interests to enable effective project management and collaboration throughout the duration of the projects.

***Change management will be critical to the success of the program***

The Financial Sustainability program will result in several changes to the way that staff approach financial planning. The intent of the Financial Sustainability Program is to create a series of documents that staff are able to easily access, understand and actively use in their decision making. To ensure the success of the program, staff across all levels of the organization will need to be engaged. The development of project teams was a first step towards fostering engagement across the organization. Additionally, a communications plan to roll out various elements of the program has also been prepared. Tactics will include frequent messaging on the online portal along with regular management updates. The Financial Sustainability program will also be included as a topic at the next Managers and Supervisors Forum to show active and visible executive sponsorship and to effectively communicate the changes to all levels of staff.

In addition to this comprehensive communications plan, the Office of the City Manager has committed to a semi-annual progress report on the Term of Council Service Excellence Strategy Map (2014-2018). This report will provide a status update on the key activities supporting the Term of Council Priorities and Service Excellence Strategic Initiatives which includes the key activities identified in this report.

**Purpose**

The purpose of this report is to present the Finance, Audit and Administration Committee with the work plan for the Financial Sustainability Program. The workplan is presented in the following parts:

- PART A: Introduction to Financial Sustainability Program
- PART B: Fiscal Framework
- PART C: 2018 Development Charge By-law Review

**Background - Analysis and Options**

On September 30, 2015, as a part of the City's commitment to a renewed focus on Service Excellence, Council approved the Term of Council Service Excellence Strategy Map that provided a focused set of priorities for the corporation to deliver upon during the 2014-2018 Council term. As a part of this process Financial Sustainability was identified as a Service Excellence Strategic Initiative with the development of a sustainable Fiscal Framework being an initiative that would support the operational performance of the City.

**PART A: Introduction to Financial Sustainability Program**

***Two key activities were identified under the Financial Sustainability Program***

On April 4, 2016 staff presented a series of key activities that were in alignment with the Term of Council Priorities with a commitment to advancing these initiatives by 2018. Within these key activities, two projects were identified as a part of the Financial Sustainability Program:

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1. The development of a Fiscal Framework; and
2. The update of the City-Wide and Area Specific Development Charge By-laws.

#### ***Dedicated teams have been established to ensure the successful delivery of the Program***

A governance model was established to ensure appropriate oversight and expertise will be given to the two projects under this program. A Senior Management Advisory Team has been identified for each of the projects within the program to ensure active engagement across relevant Departments across the organization. The Senior Management Advisory Teams are comprised of Directors/Managers that either hold specific interests in the outcome of each of the identified projects or represent a cross section of the organization that will provide valuable insight into the project material.

A Technical Committee of Subject Matter Experts across all staff levels of the corporation has also been identified to provide support on various elements for each project. This will encourage a sense of ownership of the projects across the corporation and will ensure the appropriate expertise is sought when needed.

#### **PART B: Fiscal Framework**

The first key activity identified in the Financial Sustainability Program was the development of a Fiscal Framework that would consider the recommendations established in the 2012 Financial Master Plan while taking a renewed conceptual approach. The intention of the Fiscal Framework is to provide a conceptual and principle based approach to ensuring that decision making in the organization is carried out in a manner that is mindful of the City's ability to financially sustain the impacts of decisions in both the short and long terms. Much of the framework is intuitive in nature, simple to follow and is likely already being practiced by much of the organization. Many concepts equate to common business sense and sound fiscal approaches.

As a part of this project, three main deliverables were identified as the creation of guiding principles that would act as the foundation of the framework, the development of fiscal policies that would support staff to make decisions in a financially sustainable manner, and the development of a Long Range Fiscal Model and Forecast which would help to identify and manage pressures related to the timing of growth and development within the City.

#### ***The Guiding Principles' conceptual framework mirrors the types of cost pressures identified in the City's 2016 and 2017 Budget Books***

The foundation of the fiscal framework is to provide a set of Guiding Principles that represent responsible fiscal management. These guiding fiscal principles are intended to be high level in nature, easily understood by Council, staff, and residents, and create general parameters within which financial decisions may occur.

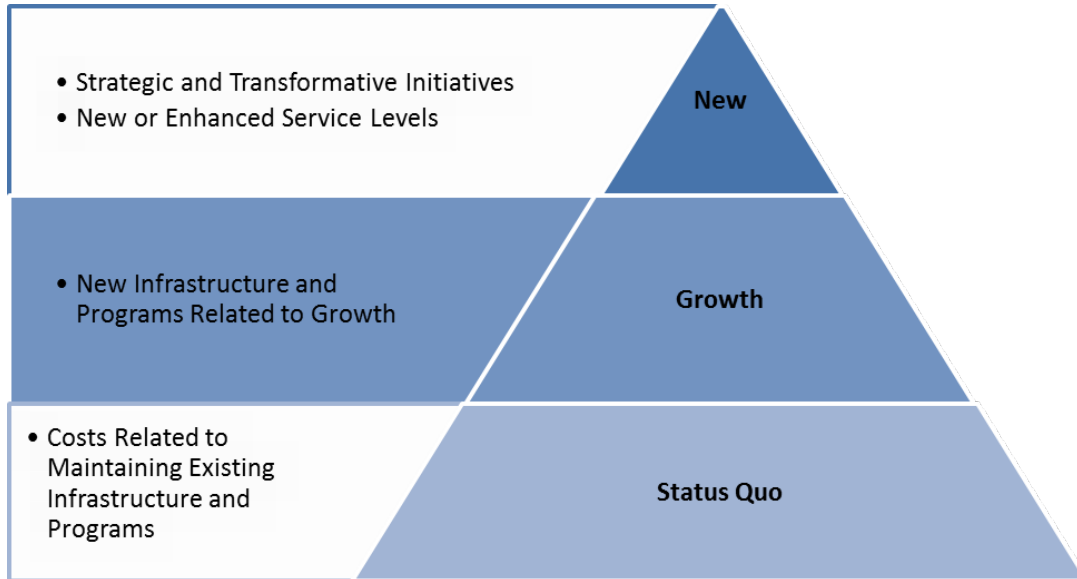
Below is an outline of the methodology used to prepare the Guiding Principles whereas the Guiding Principles table and supporting detail may be found in Attachments 1 and 2.

In 2016 several significant positive changes were made to the City's Budget Book including the introduction of three categories of financial pressures that are being faced by the City, as illustrated below:

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**Status Quo:** Represents increases or decreases in costs associated with fluctuating revenues and costs to provide current services to the community.

**Growth:** Represents increases or decreases in costs associated with user fee volume and assessment growth and the operating costs associated with developer paid infrastructure (i.e. new community centres, libraries, roads, parks).

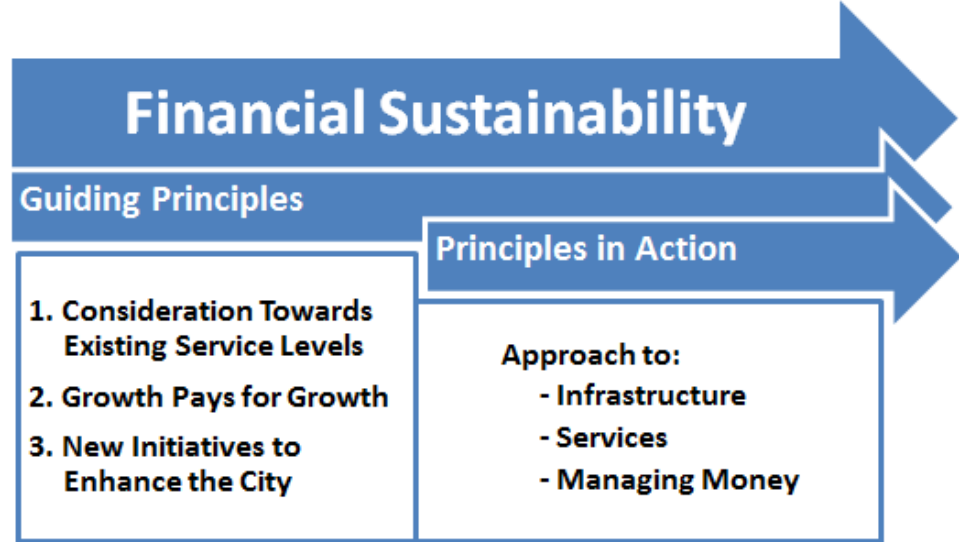
**New:** Represents increases or decreases in costs associated with strategic, transformational or new initiatives.

These financial pressures are prevalent in Vaughan due to the pace of growth that the City has experienced, and will continue to experience into the future. Provincial and Regional forecasts see Vaughan moving from an existing population of approximately 330,000 to 427,000 by 2031. At the 2036 and 2041 horizons the population is projected to increase to 463,000 and 497,000 respectively. Due to this rapid growth, it is expected that the City will continue to face the same types of challenges while making financial decisions into the future. It is therefore appropriate to mirror these pressures within the Guiding Principles as a part of the fiscal framework.

Using these three categories of financial pressures as the basis for the guiding principles a conceptual framework was developed as illustrated below:

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This conceptual framework includes three principle statements that provide some further insight to each principle:

Consideration Towards Existing Service Levels:

"The city will strive to maintain existing infrastructure and services in a climate of increasing costs by leveraging efficiencies and preparing for anticipated future needs through reserves and contingencies."

Growth Pays for Growth:

"Infrastructure and services that support new growth should be funded, to the fullest extent possible, through new property tax assessment and growth related revenues. New property tax assessment should not subsidize existing service levels."

New Initiatives to Enhance the City:

"Investments in new initiatives should enhance service levels, improve efficiencies, mitigate risk, address new regulatory requirements, support service excellence or enhance the quality of life for residents while staying within the city's financial means"

These principle statements were then further built upon through the addition of the "Principles in Action" statements that are intended to assist in demonstrating the use of the guiding principles in the areas of infrastructure, services, and managing money as seen in Attachment 1 and 2. The Principles in Action statements are meant to be demonstrative of the principles, but are non-exhaustive in nature.

***Principles will be used in operational decision making***

Once approved, the Guiding Principles will be made available for use throughout the corporation. The intent is to have staff consider how their work fits into the overall context of the fiscal framework. The Guiding Principles will be a tool staff can use to make principle based decisions regarding the financial sustainability of proposed initiatives, whether it is operating or capital in nature. The guiding principles may be referenced in future staff reports within the economic impact section to help demonstrate to Council how an initiative fits into the City's framework.

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#### ***Fiscal policies will be developed to support financial sustainability***

As a part of the Fiscal Framework project, several gaps in existing policy have been identified. In many cases revisions to new policy will be required, while in other areas entirely new policies must be drafted. It should be noted that distinction has been made between “fiscal” and “financial” policy. For the purposes of this framework only “fiscal” related policy (related to long term sustainability, budgeting and reserve management) will be reviewed, while “financial” policy (related to accounting controls, expense policies, financial statements) are out of scope for this project.

The broad categories of policies to be reviewed include:

- Capital and Operating Budget Policies
- Reserve Policies
- Investments, Cash and Debt Policies
- Development Finance Policies

Work has begun on the first phase of policy work which is planned for delivery to FAA in the second quarter of 2017. Subsequent policies will be delivered throughout the year (roughly every quarter) to mid-2018. The Guiding Principles form the foundation for the fiscal policies that will be prepared in the upcoming months. The Guiding Principles and policies will work hand in hand to create a fiscal framework that will help ensure decision making is inclusive of a financial sustainability mindset.

#### ***The development charge consultant will prepare the Long Range Fiscal Model and Forecast in order to leverage synergies***

As a part of the work plan for the Fiscal Framework it has been identified that a Long Range Fiscal Model and Forecast should be prepared by an external consultant. Additionally, because the types of data to be used in the update of the Development Charge Background Study and Bylaw are similar in nature to the types of data that would be used in the Fiscal Model it is believed to be optimal to have an external consultant prepare both. The Fiscal Model and Development Background Study will share similar inputs related to development such as population and employment assumptions, residential unit assumptions and capital expenditure assumptions.

The goal of the Fiscal Model is to create an excel based tool that can be used in future budget processes that will allow staff to assess the current and future financial position of the City. The outputs of the model will place particular emphasis on the capital and operating impacts of development approvals and related growth assessment increases and may include an evaluation of tax rate stabilization requirements, infrastructure replacement reserve requirements and the optimal financial timing for the emplacement of infrastructure and new services.

#### **PART C: 2018 Development Charge By-law Review**

##### ***2018 Development Charge By-law Update***

The Development Charges Act, 1997 requires that an update to the City's Development Charge By-laws be undertaken at least every five years. This means that the next City-Wide Development Charge By-law and Area Specific Development Charge By-laws (excluding the Black Creek ASDC) must be updated by September 2018. As this project determines the growth related infrastructure needs of the City, it is considered a key contributor towards long term financial sustainability and is therefore included as a part of the Financial Sustainability Program.

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This project will include the drafting of the 2018 Development Charge Background Study, Development Charge By-law policy changes and new development finance policies. This work will also include consultation with the development industry to allow for feedback on the project deliverables.

***The Development Charges By-law Review is still in a project planning stage***

As the City's Development Charge By-law expires in September 2018, the By-law review is still at a very early stage. The SMT Advisory Team has met and early discussions on the project have taken place. Staff have been regularly attending Regional staff meetings regarding the Regional Development Charge By-law update. Staff have also completed a Request for Proposal (RFP) for a Development Charge consultant, which closed on January 4, 2017. An evaluation of proposals is currently taking place and an award is expected for the March 2017 Finance, Administration and Audit Committee meeting. Soon after a consultant is retained, it is expected that the project will begin rapid and immediate progress.

***The Development Charge By-law Review is expected to take approximately one year and engage several areas of the organization***

The Development Charge By-law Review is expected to include the following elements, which are presented in a rough chronological order, but may overlap considerably:

1. Preparation of Growth Planning Scenarios
2. Start of consultation with Development Industry
3. Completion of Service Level Inventories
4. Inputs from various Master Plans (Transportation, Active Together, Fire)
5. Preparation/consolidation of long term capital plans
6. Determination of Development Charge Rates
7. Consideration of Asset Management Plans and Operating Impacts of new infrastructure
8. By-law administration and policy work
9. Consultation with Public at Large
10. Passage of new by-laws by Council in second quarter of 2018

***The changes to the Provincial Growth Plan present challenges to timelines***

In February 2015, the Province initiated a comprehensive review of all growth plans. As a part of this review the Province proposed changes to the Growth Plan including a change to the minimum residential intensification target from 40 percent to 60 percent of all new growth to be located in the existing built-up area and the minimum Designated Greenfield Area (DGA) density target increase from 50 to 80 residents and jobs per hectare. As these proposed changes are not anticipated to be finalized before the end of the year, this will have an effect on the ability of the City to update the Development Charge Background Study using the new targets.

The Region is required to complete an update to their Development Charge By-Law before the end of 2017. This update would typically be performed using growth data pulled from their finalized MCR, but because of the delay related to the Provincial amendments, the Region needed to take an alternate approach. As substantial work had already been completed by the Region using the 45 percent intensification scenario, it was determined that the best approach to updating their Development Charge Background Study would be:

- To use existing population projections out to 2031;
- To assume a 45 percent intensification target;

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- To exclude all infrastructure costs related to an expansion into the White Belt; and
- To use the projections from their newly endorsed Transportation Master Plan and Water/Wastewater Master Plans out to 2031

The Region has also committed to reopening their Development Charge By-law for re-review before the statutory five year period once the Province finalizes their amendments and the Region's MCR is complete. It is anticipated that this may take two years.

The City faces similar challenges regarding the update to the 2018 Development Charge Background Study and By-law as the Regional MCR informs the City's MCR and the City's MCR typically helps to inform the master plans that are used to update the Development Charge Background Study.

In order to manage the gaps in information, City staff have determined that the terms of reference for the Development Charge Background Study and By-law consultant should include growth forecasting as a part of the overall scope of the project. This will allow an opportunity for the City to incorporate the work done by the Region using the 45 percent intensification scenario along with sensitivity analysis. Additionally, if new information regarding the growth forecasts becomes available during the update it will allow the City's consultants to more effectively respond to and incorporate this new data. This growth analysis can then be used to update the other master plans in the City including the Transportation Master Plan.

#### **Relationship to Term of Council Service Excellence Strategy Map (2014-2018)**

This report is directly related to Financial Sustainability which is a Service Excellence Strategic Initiative related to Operational Performance.

#### **Regional Implications**

The Region is currently working on an update to their Development Charge By-law which is anticipated to be completed by June 2017. Throughout the process City staff have participated in regular meetings with Regional staff to receive updates and provide feedback on proposed by-law policy revisions. In addition to these meetings, City staff intend to engage Regional staff regularly during the City-Wide By-law update to ensure coordination and cohesiveness between the approach of the Region and the City.

#### **Conclusion**

The Financial Sustainability Program which includes the development of a Fiscal Framework and an Update to the Development Charge Background Study and By-law will ensure that effective measures are put into place to guide the long term financial sustainability of the City.

The Fiscal Framework will enhance the City's ability to develop financially sustainable decision making practices and to help identify and manage pressures and constraints now and in the long term. The first step in achieving this goal is to establish guiding principles to provide a foundation under which policies can be developed and operational decisions can be made regarding services and infrastructure with a financial sustainability mindset.

#### **Attachments**

Attachment 1: Guiding Principles Table  
Attachment 2: Guiding Principles in Action



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**Report prepared by:**

Brianne Clace, Project Manager, Financial Sustainability, ext. 8284  
Heidi Wong, Financial Analyst, Financial Sustainability, ext. 8724

(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.)



## memorandum

C. 1
Communication
COUNCIL: Jan 24/17
FAA Rpt. No. 1 Item 3

**DATE:** January 20, 2017

**TO:** Honourable Mayor Bevilacqua and Members of Council

**FROM:** Kevin Shapiro, Director of Internal Audit

**RE:** **REPORT #1, ITEM 3, OF THE JANUARY 16, 2017 FINANCE, ADMINISTRATION AND AUDIT COMMITTEE**

### Recommendation

The Director of Internal Audit recommends:

1. That the Financial Planning & Budgeting Process audit, currently scheduled for 2017 as part of the 2015 – 2018 Internal Audit Risk Based Work Plan be deferred until the completion of the Financial Sustainability Program and Fiscal Framework Guiding Principles project.

### Purpose

To inform Council of a change to the 2015 – 2018 Internal Audit Risk Based Work Plan.

### Background

At the January 16, 2017 meeting of the Finance, Administration and Audit Committee, the Director of Financial Planning & Development Finance and Deputy City Treasurer presented the Financial Sustainability Program and Fiscal Framework Guiding Principles.

The Council approved 2015 – 2018 Internal Audit Risk Based Work Plan contains an audit of the Financial Planning & Budgeting Process.

An effective financial planning and budgeting process is necessary in order to achieve organizational goals in the shortest time possible with a minimum of resources and funding. An ineffective financial planning & budgeting process may pose several significant short and long term risks to the City and may impact decision making as it relates to service levels, priorities and funding allocations.

The objective of the audit would be to evaluate the effectiveness of the controls, processes and procedures in place to mitigate the business risks associated with managing the financial planning and budgeting process.

As part of the Financial Sustainability Program and Fiscal Framework Guiding Principles project, management will be reviewing and recommending enhancements that will mitigate potential risks in the existing financial planning and budgeting processes.

### Conclusion

Internal Audit has a professional responsibility to develop an audit work plan that focuses on the key risks in the City. The work plan should be dynamic and flexible. Changes to the work plan may be required occasionally to reflect emerging risks and changes in strategic objectives.

Based on the work that will be conducted by management as part of the Financial Sustainability Program and Fiscal Framework Guiding Principles project, and in consultation with the Chief Financial Officer and City Treasurer, it has been determined that it would be beneficial to defer the Financial Planning & Budgeting Process audit until the completion of the Financial Sustainability Program and Fiscal Framework Guiding Principles project.

As part of the Service Excellence Strategy consulting project that is part of the 2015 – 2018 Internal Audit Risk Based Work Plan, Internal Audit will continue to be available to provide risk based consulting services during the course of the Financial Sustainability Program and Fiscal Framework Guiding Principles project. This will provide a greater opportunity to identify and address any significant risks during and before the completion of the Financial Sustainability Program and Fiscal Framework Guiding Principles project.

The hours in the work plan that were dedicated to the Financial Planning & Budgeting Process audit will be repurposed to the Emergency, Single and Sole Source Purchasing Audit, requested and approved by Council on November 15, 2016.

**Attachments**

None.

**Report prepared by:**

Kevin Shapiro CIA CFE CRMA  
Director, Internal Audit

A handwritten signature in black ink, appearing to read 'K. Shapiro', is written over the printed name.

Respectfully submitted,

Kevin Shapiro CIA CFE CRMA  
Director, Internal Audit

# Financial Sustainability Program and Fiscal Framework Guiding Principles

Finance, Administration and Audit Committee

January 16, 2017



CANADA 150



# Financial Sustainability Recommendation

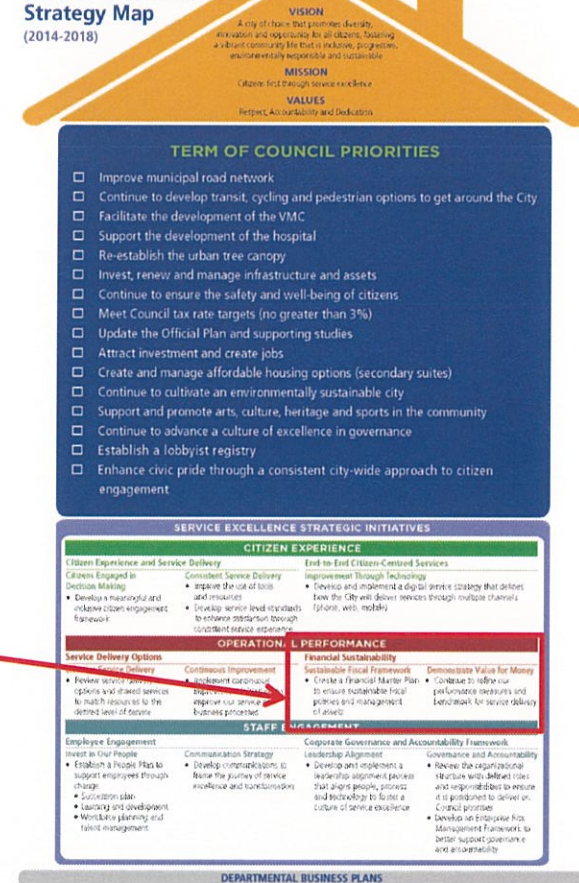
- That the Financial Sustainability Program work plan be received; and
- That the Fiscal Framework Guiding Principles be endorsed.



# Financial Sustainability

- Financial Sustainability was identified as a Service Excellence Strategic Initiative related to Operational Performance
- Create a Sustainable Fiscal Framework including the development of fiscal policies
- Two key activities were identified under the Financial Sustainability Program:
  - The development of a Fiscal Framework
  - The update of the City-Wide and Area Specific Development Charge By-laws

## Term of Council Service Excellence Strategy Map (2014-2018)





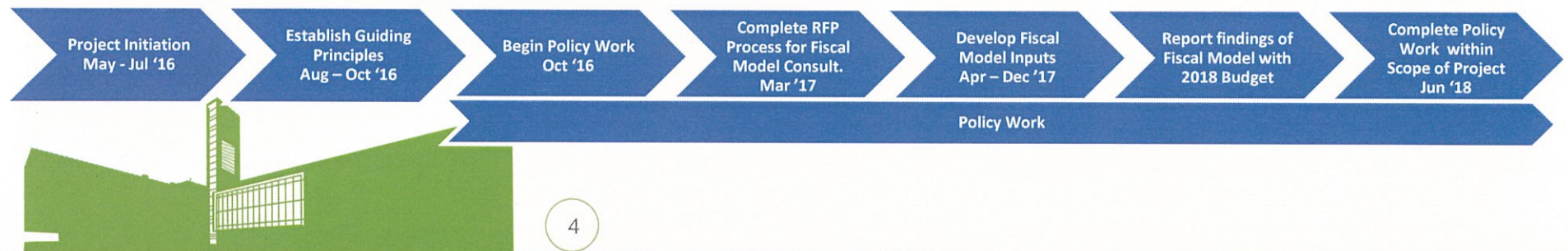
# Fiscal Framework Project Scope

## Objective:

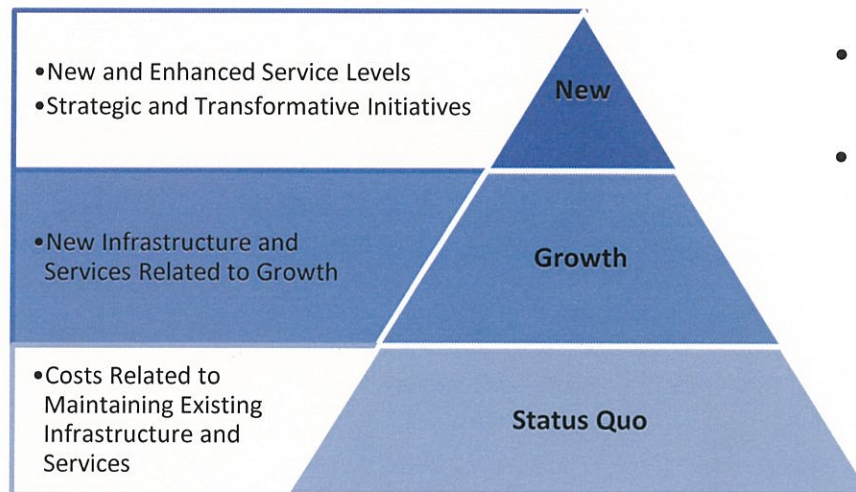
- Develop an overall fiscal framework to enhance our ability to demonstrate value for money and work towards financial sustainability.

## High Level Deliverables

- Establish Guiding Principles
- Develop Policies to Support Fiscal Principles
- Develop Long Range Fiscal Model and Forecast



# Fiscal Framework Guiding Principles



- High level and easily understood by Council, staff, and residents
- Mirror cost pressures identified in the budget book
- Will provide direction on policy development and inform decision making

## Financial Sustainability

### Guiding Principles

1. Consideration Towards Existing Service Levels
2. Growth Pays for Growth
3. New Initiatives to Enhance the City

### Principles in Action

#### Approach to:

- Infrastructure
- Services
- Managing Money





# Fiscal Framework

## Guiding Principles Matrix

- Action statements are used to demonstrate how each of the principles should be applied across the areas of infrastructure, services, and the management of money
- The first step is determining where in the matrix an initiative belongs
- Then determine whether the proposed initiative is aligned with the statements



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Guiding Principles	Infrastructure	Services	Managing Money
	Approach to Infrastructure	Approach to Services	Approach to Managing Money
<b>1. Consideration Towards Existing Service Levels</b> The City should ensure that its services are delivered at a level that is consistent with the needs of its residents and is a direct result of increasing costs by increasing rates and preparing for anticipated future growth.	Work towards ensuring an accurate inventory of existing assets with linkages to the services and service levels they support. Establish effective long-term plans for assets that consider their operation, maintenance, and eventual replacement. Ensure that property tax and utility rate increases for infrastructure renewal and replacement are predictable, responsive to inflation, and are aligned with fiscal targets approved by Council.	Periodically review programs and services to ensure they are aligned with Council priorities, and that they are provided cost-effectively. Existing user fees should be reviewed regularly to ensure that they are in line with recovery targets and should strive towards full cost recovery. Ensure that property tax and utility rate increases for services are predictable, responsive to inflation, and are aligned with fiscal targets approved by Council.	Maintain adequate reserves to meet obligations, save for asset replacement, allow the flexibility to take advantage of unexpected opportunities, and the ability to respond to unanticipated one-time expenses. Strive to fully manage cost pressures related to maintaining existing service levels through efficiencies. Where an asset benefit to multiple generations, debt may be used to generate a benefit for future generations.
<b>2. Growth Pays for Growth</b> Infrastructure and services that support growth should be funded by growth-related revenues.	Strive to optimize the utilization of existing assets to support new growth. Ensure that new growth-related infrastructure is funded as closely as possible with new assessment growth that will support its operations.	New services should be funded through user fees where feasible, and new property tax increases should be used to fund services that are not covered by user fees. New initiatives to enhance the citizen experience should demonstrate value for money to the taxpayers from a quantitative and/or qualitative perspective and be aligned with Council priorities.	The maximum growth related to existing residents. The tax rate stabilization reserve may be used in order to manage timing differences with assessment growth and growth related infrastructure and service needs. Service excellence initiatives, where possible, should be cost-neutral over an identifiable period of time, and benefit to should be demonstrable. New investments in the city's portfolio should be stable, low risk, and provide a long-term revenue stream.
<b>3. New Initiatives to Enhance the City</b> Investments in new initiatives should enhance service levels, improve efficiency, and support the quality of life for residents while staying within the city's financial means.	New infrastructure investments related to new service levels should be aligned with Council priorities. The City should explore opportunities to minimize life cycle costs for infrastructure.	New services benefit select groups of residents should be funded through user fees where feasible, whereas new services for which there is a public good should be funded through property tax. New initiatives to enhance the citizen experience should demonstrate value for money to the taxpayers from a quantitative and/or qualitative perspective and be aligned with Council priorities.	Service excellence initiatives, where possible, should be cost-neutral over an identifiable period of time, and benefit to should be demonstrable. New investments in the city's portfolio should be stable, low risk, and provide a long-term revenue stream.

Guiding Principles & Principle Statements



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# Fiscal Framework

## Principle #1: Consideration Towards Existing Service Levels

The City will strive to maintain existing infrastructure and services in a climate of increasing costs by leveraging efficiencies and preparing for anticipated future needs through reserves and contingencies.





# Fiscal Framework

## Principle #1 – Approach to Infrastructure

- It is important for the City to understand what assets we currently have and what the assets are being used for.
- Consider whether we have an appropriate amount of assets for the services we provide. Do we need more or less than what we already have?
- Plan ahead for all of the costs associated with the assets, including future replacement costs, and estimate when funds will be needed to ensure they are available at that time.

Guiding Principles	Principles in Action		
<b>1. Consideration Towards Existing Service Levels</b> <i>The city will strive to maintain existing infrastructure and services to a standard of increasing costs by increasing efficiency and preparing for anticipated future needs through reserves and contingencies.</i>	<b>Approach to Infrastructure</b> <ul style="list-style-type: none"> <li>Work towards creating an accurate inventory of existing assets with linkages to the services and service levels they support.</li> <li>Establish cost-effective long-term plans for assets that consider their operation, maintenance, and eventual replacement.</li> <li>Ensure that property tax and utility rate increases for infrastructure renewal and replacement are predictable, respond to inflation, and are aligned with fiscal targets approved by Council.</li> </ul>	<b>Approach to Services</b> <ul style="list-style-type: none"> <li>Periodically review programs and services to ensure they are aligned with Council priorities, and that they are provided cost-effectively.</li> <li>Existing user fees should be reviewed regularly to ensure that they are in line with recovery targets and should strive towards full cost recovery.</li> <li>Ensure that property tax and utility rate increases for services are predictable, respond to inflation, and are aligned with fiscal targets approved by Council.</li> </ul>	<b>Approach to Managing Money</b> <ul style="list-style-type: none"> <li>Maintain adequate reserves to meet obligations, save for asset replacement, allow the flexibility to take advantage of unexpected opportunities, and the ability to respond to unanticipated one-time expenses.</li> <li>Strive to fully manage cost pressures related to maintaining existing service levels through efficiencies.</li> <li>Where an asset benefits multiple generations, debt may be used to ensure that all benefiting parties across time participate in the sharing of costs.</li> </ul>
<b>2. Growth Pays for Growth</b> <i>Infrastructure and services that support new growth should be funded, to the fullest extent possible, through new property tax assessment and growth-related revenues.</i>	<ul style="list-style-type: none"> <li>Ensure that new growth-related infrastructure is timed as closely as possible with new assessment growth that will support its operations.</li> </ul>	<ul style="list-style-type: none"> <li>The cost of administering growth and development should be funded by growth-related user fees.</li> <li>New property tax assessment should offset the increased cost of services that are brought on for new residents.</li> </ul>	<ul style="list-style-type: none"> <li>Collect the maximum growth-related revenues possible within legislation in order to minimize the financial impact to existing residents.</li> <li>The tax rate stabilization reserve may be used in order to manage timing differences with assessment growth and growth-related infrastructure and service needs.</li> </ul>
<b>3. New Initiatives to Enhance the City</b> <i>Investments in new initiatives should enhance service levels, improve efficiency, mitigate risks, address regulatory requirements, support service excellence, or enhance quality of life for residents while staying within the city's financial means.</i>	<ul style="list-style-type: none"> <li>New infrastructure investments related to new service levels should be aligned with Council priorities.</li> <li>The city should explore opportunities to minimize life cycle costs for infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>When new services benefit select users these services should be funded through user fees where feasible, whereas new services for which there is a public good should be funded through property tax.</li> <li>New initiatives to enhance the citizen experience should demonstrate value for money to the taxpayers from a quantitative and/or qualitative perspective and be aligned with Council priorities.</li> </ul>	<ul style="list-style-type: none"> <li>Service excellence initiatives, where possible, should be cost neutral over an identifiable period of time, and benefits should be demonstrable.</li> <li>New investments in the city's portfolio should be stable, low risk, and provide a long-term revenue stream.</li> </ul>



# Fiscal Framework

## Principle #1 – Approach to Services

- Understand what programs and services the residents need and want.
- Consider whether the costs to provide these programs and services are appropriate.
- Regularly review user fees for existing programs and services to ensure they are recovering costs as much as possible, while remaining affordable to residents.

Guiding Principles	Principles in Action		
	Approach to Infrastructure	Approach to Services	Approach to Managing Money
<b>1. Consideration Towards Existing Service Levels</b> <i>The city will strive to maintain existing infrastructure and services in a climate of increasing costs by leveraging efficiencies and preparing for anticipated future needs through reserves and contingencies.</i>	<ul style="list-style-type: none"> <li>Work towards creating an accurate inventory of existing assets with linkages to the services and service levels they support.</li> <li>Establish cost-effective long-term plans for assets that consider their operation, maintenance, and eventual replacement.</li> <li>Ensure that property tax and utility rate increases for infrastructure renewal and replacement are predictable, respond to inflation, and are aligned with fiscal targets approved by Council.</li> </ul>	<ul style="list-style-type: none"> <li>Periodically review programs and services to ensure they are aligned with Council priorities, and that they are provided cost-effectively. Existing user fees should be reviewed regularly to ensure that they are in line with recovery targets and should strive towards full cost recovery. Ensure that property tax and utility rate increases for services are predictable, respond to inflation, and are aligned with fiscal targets approved by Council.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain adequate reserves to meet obligations, save for asset replacement, allow the flexibility to take advantage of unexpected opportunities, and the ability to respond to unanticipated one-time expenses.</li> <li>Strive to fully manage cost pressures related to maintaining existing service levels through efficiencies. Where an asset benefits multiple generations, debt may be used to ensure that all benefiting parties accept the participation in the sharing of costs.</li> </ul>
<b>2. Growth Pays for Growth</b> <i>Infrastructure and services that support new growth should be funded, to the fullest extent possible, through new property tax assessment and growth-related revenues.</i>	<ul style="list-style-type: none"> <li>Strive to optimize the utilization of existing assets to support new growth.</li> <li>Ensure that new growth-related infrastructure is timed as closely as possible with new assessment growth that will support its operations.</li> </ul>	<ul style="list-style-type: none"> <li>The cost of administering growth and development should be funded by growth-related user fees.</li> <li>New property tax assessment should offset the increased cost of services that are brought on for new residents.</li> </ul>	<ul style="list-style-type: none"> <li>Collect the maximum growth-related revenues possible within legislation in order to minimize the financial impact to existing residents.</li> <li>The tax rate stabilization reserve may be used in order to manage timing differences with assessment growth and growth-related infrastructure and service needs.</li> </ul>
<b>3. New Initiatives to Enhance the City</b> <i>Investments in new initiatives should enhance service levels, improve efficiencies, mitigate risk, address regulatory requirements, support service excellence, or enhance quality of life for residents while staying within the city's financial means.</i>	<ul style="list-style-type: none"> <li>New infrastructure investments related to new service levels should be aligned with Council priorities.</li> <li>The city should explore opportunities to minimize life cycle costs for infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>When new services benefit select users these services should be funded through user fees where feasible, whereas new services for which there is a public good should be funded through property tax.</li> <li>New initiatives to enhance the citizen experience should demonstrate value for money to the taxpayers from a quantitative and/or qualitative perspective and be aligned with Council priorities.</li> </ul>	<ul style="list-style-type: none"> <li>Service excellence initiatives, where possible, should be cost neutral over an identifiable period of time, and benefits should be demonstrable.</li> <li>New investments in the city's portfolio should be stable, low risk, and provide a long-term revenue stream.</li> </ul>





# Fiscal Framework

## Principle #1 – Approach to Managing Money

- Save money in reserves to ensure that funds are readily available when needed, such as to pay for asset replacement or emergencies.
- Continuously look for savings that can offset rising costs.
- Consider how costs can be fairly paid for across geography and time, such as through debt if the asset will provide benefits over many years.

Guiding Principles	Principles in Action		
	Approach to Infrastructure	Approach to Services	Approach to Managing Money
<b>1. Consideration Towards Existing Service Levels</b> <i>The city will strive to maintain existing infrastructure and services in a climate of increasing costs by leveraging efficiencies and preparing for anticipated future needs through reserves and contingencies.</i>	<ul style="list-style-type: none"> <li>Work towards creating an accurate inventory of existing assets with linkages to the services and service levels they support.</li> <li>Establish cost-effective long-term plans for assets that consider their operation, maintenance, and eventual replacement.</li> <li>Ensure that property tax and utility rate increases for infrastructure renewal and replacement are predictable, responsive to inflation, and are aligned with fiscal targets approved by Council.</li> </ul>	<ul style="list-style-type: none"> <li>Periodically review programs and services to ensure they are aligned with Council priorities, and that they are provided cost-effectively.</li> <li>Existing user fees should be reviewed regularly to ensure that they are in line with recovery targets and should strive towards full cost recovery.</li> <li>Ensure that property tax and utility rate increases for services are predictable, responsive to inflation, and are aligned with fiscal targets approved by Council.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain adequate reserves to meet obligations, save for asset replacement, allow the flexibility to take advantage of unexpected opportunities, and the ability to respond to unanticipated one-time expenses.</li> <li>Strive to fully manage cost pressures related to maintaining existing service levels through efficiencies.</li> <li>Where an asset benefits multiple generations, debt may be used to ensure that all benefiting parties across time participate in the sharing of costs.</li> </ul>
<b>2. Growth Pays for Growth</b> <i>Infrastructure and services that support new growth should be funded, to the fullest extent possible, through new property tax assessment and growth-related revenues.</i>	<ul style="list-style-type: none"> <li>Strive to optimize the utilization of existing assets to support new growth.</li> <li>Ensure that new growth-related infrastructure is timed as closely as possible with new assessment growth that will support its operations.</li> </ul>	<ul style="list-style-type: none"> <li>The cost of administering growth and development should be funded by growth-related user fees.</li> <li>New property tax assessment should offset the increased cost of services that are brought on for new residents.</li> </ul>	<ul style="list-style-type: none"> <li>Consider maximum growth-related revenues possible within legislation in order to maximize the funds available to existing residents.</li> <li>The tax rate stabilization reserve may be used in order to manage timing differences with assessment growth and growth-related infrastructure and service needs.</li> </ul>
<b>3. New Initiatives to Enhance the City</b> <i>Investments in new initiatives should enhance service levels, improve efficiencies, mitigate risks, address regulatory requirements, support service excellence, or enhance quality of life for residents while staying within the city's financial means.</i>	<ul style="list-style-type: none"> <li>New infrastructure investments related to new service levels should be aligned with Council priorities.</li> <li>The city should explore opportunities to minimize life cycle costs for infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>When new services benefit select users those services should be funded through user fees where feasible, whereas new services for which there is a public good should be funded through property tax.</li> <li>New initiatives to enhance the citizen experience should demonstrate value for money to the taxpayers from a quantitative and/or qualitative perspective and be aligned with Council priorities.</li> </ul>	<ul style="list-style-type: none"> <li>Service excellence initiatives, where possible, should be cost-neutral over an identifiable period of time, and benefits should be demonstrable.</li> <li>New investments in the city's portfolio should be stable, low risk, and provide a long-term revenue stream.</li> </ul>



# Fiscal Framework

## Principle #2: Growth Pays for Growth

Infrastructure and services that support new growth should be funded, to the fullest extent possible, through new property tax assessment and growth related revenues.





# Fiscal Framework

## Principle #2 – Approach to Infrastructure

- Consider whether existing assets can be used to support new growth before spending money on new assets.
- Try to match the timing of building infrastructure for new residents to when the taxes will be received from these new residents.

Guiding Principles	Principles in Action		
	Approach to Infrastructure	Approach to Services	Approach to Managing Money
<b>1. Consideration Towards Existing Service Levels</b> <i>The city will strive to maintain existing infrastructure and services in a climate of increasing costs by leveraging efficiencies and preparing for anticipated future needs through reserves and contingencies.</i>	<ul style="list-style-type: none"> <li>Work towards creating an accurate inventory of existing assets with linkages to the services and service levels they support.</li> <li>Establish cost-effective long-term plans for assets that consider their operation, maintenance, and eventual replacement.</li> <li>Ensure that property tax and utility rate increases for infrastructure renewal and replacement are predictable, respond to inflation, and are aligned with fiscal targets approved by Council.</li> </ul>	<ul style="list-style-type: none"> <li>Periodically review programs and services to ensure they are aligned with Council priorities, and that they are provided cost-effectively.</li> <li>Existing user fees should be reviewed regularly to ensure that they are in line with recovery targets and should strive towards full cost recovery.</li> <li>Ensure that property tax and utility rate increases for services are predictable, respond to inflation, and are aligned with fiscal targets approved by Council.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain adequate reserves to meet obligations, save for asset replacement, allow the flexibility to take advantage of unexpected opportunities, and the ability to respond to unanticipated one-time expenses.</li> <li>Strive to fully manage cost pressures related to maintaining existing service levels through efficiencies.</li> <li>Where an asset benefits multiple generations, debt may be used to ensure that all benefiting parties across time participate in the sharing of costs.</li> </ul>
<b>2. Growth Pays for Growth</b> <i>Infrastructure and services that support new growth should be funded, to the fullest extent possible, through new property tax assessment and growth-related revenues.</i>	<ul style="list-style-type: none"> <li>Strive to optimize the utilization of existing assets to support new growth.</li> <li>Ensure that new growth-related infrastructure is timed as closely as possible with new assessment growth that will support its operations.</li> </ul>	<ul style="list-style-type: none"> <li>The cost of administering growth and development should be funded by growth-related user fees.</li> <li>New property tax assessment should offset the increased cost of services that are brought on for new residents.</li> </ul>	<ul style="list-style-type: none"> <li>Collect the maximum growth-related revenues possible within legislation in order to minimize the financial impact to existing residents.</li> <li>The tax rate stabilization reserve may be used in order to manage timing differences with assessment growth and growth-related infrastructure and service needs.</li> </ul>
<b>3. New Initiatives to Enhance the City</b> <i>Investments in new initiatives should enhance service levels, improve efficiency, mitigate risks, address regulatory requirements, support service excellence, or enhance quality of life for residents while staying within the city's financial means.</i>	<ul style="list-style-type: none"> <li>When new service initiatives related to new service levels should be aligned with Council priorities. The city should explore opportunities to minimize life cycle costs for infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>When new services benefit select users these services should be funded through user fees where feasible, whereas new services for which there is a public good should be funded through property tax.</li> <li>New initiatives to enhance the citizen experience should demonstrate value for money to the taxpayers from a quantitative and/or qualitative perspective and be aligned with Council priorities.</li> </ul>	<ul style="list-style-type: none"> <li>Service excellence initiatives, where possible, should be cost neutral over an identifiable period of time, and benefits should be demonstrable.</li> <li>New investments in the city's portfolio should be stable, low risk, and provide a long-term revenue stream.</li> </ul>



# Fiscal Framework

## Principle #2 – Approach to Services

- Services that support development activities should be paid for through development user fees, such as building permit fees, inspection fees, development application fees, etc.
- As more resources are needed to support new residents, these costs should be paid for through property taxes received from these new residents (assessment growth).

Guiding Principles	Principles in Action		
	Approach to Infrastructure	Approach to Services	Approach to Managing Money
<b>1. Consideration Towards Existing Service Levels</b> <i>The city will strive to maintain existing infrastructure and services in a climate of increasing costs by improving efficiencies and preparing for anticipated future needs through reserves and contingencies.</i>	<ul style="list-style-type: none"> <li>Work towards creating an accurate inventory of existing assets with linkages to the services and service levels they support.</li> <li>Establish cost-effective long-term plans for assets that consider their operation, maintenance, and eventual replacement.</li> <li>Ensure that property taxes and utility rate increases for infrastructure removal and replacement are predictable, respond to infrastructure needs, and are aligned with fiscal targets approved by Council.</li> </ul>	<ul style="list-style-type: none"> <li>Periodically review programs and services to ensure they are aligned with Council priorities, and that they are provided cost-effectively.</li> <li>Existing user fees should be reviewed regularly to ensure that they are in line with recovery targets and should strive towards full cost recovery.</li> <li>Ensure that property tax and utility rate increases for services are predictable, respond to inflation, and are aligned with fiscal targets approved by Council.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain adequate reserves to meet obligations, save for asset replacement, allow the flexibility to take advantage of unexpected opportunities, and the ability to respond to unanticipated one-time expenses.</li> <li>Strive to fully manage cost pressures related to maintaining existing service levels through efficiencies.</li> <li>Where an asset benefits multiple generations, debt may be used to ensure that all benefiting parties across time participate in the sharing of costs.</li> </ul>
<b>2. Growth Pays for Growth</b> <i>Infrastructure and services that support new growth should be funded, to the fullest extent possible, through new property tax assessment and growth-related revenues.</i>	<ul style="list-style-type: none"> <li>Strive to optimize the utilization of existing assets to support new growth.</li> <li>Ensure that new growth-related infrastructure is timed as closely as possible with new assessment growth that will support its operations.</li> </ul>	<div style="border: 2px solid red; padding: 5px;"> <p>The cost of administering growth and development should be funded by growth-related user fees.</p> <p>New property tax assessment should offset the increased cost of services that are brought on for new residents.</p> </div>	<ul style="list-style-type: none"> <li>Correct the maximum growth-related revenues possible within legislation in order to minimize the financial impact to existing residents.</li> <li>The tax rate stabilization reserve may be used in order to manage timing differences with assessment growth and growth-related infrastructure and service needs.</li> </ul>
<b>3. New Initiatives to Enhance the City</b> <i>Investments in new initiatives should enhance service levels, improve efficiencies, mitigate risks, address regulatory requirements, support service excellence, or enhance quality of life for residents while staying within the city's financial means.</i>	<ul style="list-style-type: none"> <li>New infrastructure investments related to new service levels should be aligned with Council priorities.</li> <li>The city should explore opportunities to minimize life cycle costs for infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>When new services benefit users, these services should be funded through user fees where feasible, whereas new services for which there is a public good should be funded through property tax.</li> <li>New initiatives to enhance the citizen experience should demonstrate value for money to the taxpayers from a quantitative and/or qualitative perspective and be aligned with Council priorities.</li> </ul>	<ul style="list-style-type: none"> <li>Service excellence initiatives, where possible, should be cost neutral over an identifiable period of time, and benefits should be demonstrable.</li> <li>New investments in the city's portfolio should be stable, low risk, and provide a long-term revenue stream.</li> </ul>





# Fiscal Framework

## Principle #2 – Approach to Managing Money

- Try to maximize growth related revenue to minimize the tax burden to existing residents.
- Try to match the timing of revenue with the timing of costs, and if there is a mismatch, use a reserve to move money between years.

Guiding Principles	Principles in Action		
	Approach to Infrastructure	Approach to Services	Approach to Managing Money
<b>1. Consideration Towards Existing Service Levels</b> The city will strive to maintain existing infrastructure and services in a climate of increasing costs by increasing efficiencies and preparing for anticipated future needs through reserves and contingencies.	Work towards creating an accurate inventory of existing assets with a view to the services and service levels they support. Establish user fees and long-term plans for assets that require their operation, maintenance, and eventual replacement. Ensure that property tax and utility rate increases for infrastructure renewal and replacement are predictable, responsive to inflation, and are aligned with fiscal targets approved by Council.	Periodically review programs and services to ensure they are aligned with Council priorities, and that they are provided cost-effectively. Existing user fees should be reviewed regularly to ensure that they are in line with recovery targets and should strive towards full cost recovery. Ensure that property tax and utility rate increases for services are predictable, responsive to inflation, and are aligned with fiscal targets approved by Council.	Maintain adequate reserves to meet obligations, save for asset replacement, allow the flexibility to take advantage of unexpected opportunities, and the ability to respond to unanticipated one-time expenses. Strive to fully manage cost pressures related to maintaining existing service levels through efficiencies. Where an asset benefits multiple generations, debt may be used to ensure that all benefiting parties across time participate in the sharing of costs.
<b>2. Growth Pays for Growth</b> Infrastructure and services that support new growth should be funded, to the fullest extent possible, through new property tax assessment and growth-related revenues.	Strive to optimize the utilization of existing assets to support new growth. Ensure that new growth-related infrastructure is timed as closely as possible with new assessment growth that will support its operations.	The cost of administering growth and development should be funded by growth-related user fees. New property tax assessment should offset the increased cost of services that are brought on for new residents.	Correct the maximum growth-related revenues possible within legislation in order to minimize the financial impact to existing residents. The tax rate stabilization reserve may be used in order to manage timing differences with assessment growth and growth-related infrastructure and service needs.
<b>3. New Initiatives to Enhance the City</b> Investments in new initiatives should enhance service levels, improve efficiencies, mitigate risks, address regulatory requirements, support service excellence, or enhance quality of life for residents while staying within the city's financial means.	New infrastructure investments related to new service levels should be aligned with Council priorities. The city should explore opportunities to minimize life cycle costs for infrastructure.	When new services benefit select users, user fees should be funded through user fees where feasible, whereas new services for which there is a public good should be funded through property tax. New initiatives to enhance the citizen experience should demonstrate value for money to the taxpayers from a quantitative and/or qualitative perspective and be aligned with Council priorities.	All new investments, where possible, should be cost-neutral over an identifiable period of time, and benefits should be demonstrable. New investments in the city's portfolio should be stable, low risk, and provide a long-term revenue stream.



# Fiscal Framework

## Principle #3: New Initiatives to Enhance the City

Investments in new initiatives should enhance service levels, improve efficiencies, mitigate risks, address regulatory requirements, support service excellence, or enhance quality of life for residents while staying within the City's financial means.





# Fiscal Framework

## Principle #3 – Approach to Infrastructure

- Concentrate on new infrastructure related to new services needed to meet the priorities of Council.
- Continuously look for ways to minimize long term maintenance and replacement costs for assets (e.g. LED streetlights)

Governing Principles	Principles in Action		
	Approach to Infrastructure	Approach to Services	Approach to Managing Money
<b>1. Consideration Towards Existing Service Levels</b> The city will strive to maintain existing infrastructure and services to a standard of increasing costs by increasing efficiencies and preparing for anticipated future needs through reserves and contingencies.	<ul style="list-style-type: none"> <li>Work towards creating an accurate inventory of existing assets with linkages to the services and service levels they support.</li> <li>Establish cost-effective long-term plans for assets that consider their operation, maintenance, and eventual replacement.</li> <li>Ensure that property tax and utility rate increases for infrastructure renewal and replacement are predictable, respond to inflation, and are aligned with fiscal targets approved by Council.</li> </ul>	<ul style="list-style-type: none"> <li>Periodically review programs and services to ensure they are aligned with Council priorities, and that they are provided cost-effectively.</li> <li>Existing user fees should be reviewed regularly to ensure that they are in line with recovery targets and should strive towards full cost recovery.</li> <li>Ensure that property tax and utility rate increases for services are predictable, respond to inflation, and are aligned with fiscal targets approved by Council.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain adequate reserves to meet obligations, save for asset replacement, allow the flexibility to take advantage of unexpected opportunities, and the ability to respond to unanticipated one-time expenses.</li> <li>Strive to fully manage cost pressures related to maintaining existing service levels through efficiencies.</li> <li>Where an asset benefits multiple generations, debt may be used to ensure that all benefiting parties across time participate in the sharing of costs.</li> </ul>
<b>2. Growth Pays for Growth</b> Infrastructure and services that support new growth should be funded, to the fullest extent possible, through new property tax assessment and growth-related revenues.	<ul style="list-style-type: none"> <li>Strive to optimize the utilization of existing assets to support new growth.</li> <li>Ensure that new growth-related infrastructure is timed as closely as possible with new assessment growth that will support its operations.</li> </ul>	<ul style="list-style-type: none"> <li>The cost of administering growth and development should be funded by growth-related user fees.</li> <li>New property tax assessment should offset the increased cost of services that are brought on for new residents.</li> </ul>	<ul style="list-style-type: none"> <li>Collect the maximum growth-related revenues possible within legislation in order to minimize the impact of impact to existing residents.</li> <li>The tax rate stabilization reserve may be used in order to manage timing differences with assessment growth and growth-related infrastructure and service needs.</li> </ul>
<b>3. New Initiatives to Enhance the City</b> Investments in new initiatives should enhance service levels, improve efficiencies, mitigate risks, address regulatory requirements, support service excellence, or enhance quality of life for residents while staying within the city's financial means.	<ul style="list-style-type: none"> <li>Investments in new infrastructure related to new service levels should be aligned with Council priorities. The city should explore opportunities to minimize life cycle costs for infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>When new services benefit select users these services should be funded through user fees where feasible, whereas new services for which there is a public good should be funded through property tax.</li> <li>New initiatives to enhance the citizen experience should demonstrate value for money to the taxpayers from a quantitative and/or qualitative perspective and be aligned with Council priorities.</li> </ul>	<ul style="list-style-type: none"> <li>Service excellence initiatives, where possible, should be cost-neutral over an identifiable period of time, and benefits should be demonstrable.</li> <li>New investments in the city's portfolio should be stable, low risk, and provide a long-term revenue stream.</li> </ul>



# Fiscal Framework

## Principle #3 – Approach to Services

- Services to the wider public can be funded through property tax and benefits to select users should be funded through user fees.
- Any new service initiatives address the priorities identified by Council.

Guiding Principles	Principles in Action		
	Approach to Infrastructure	Approach to Services	Approach to Managing Money
<b>1. Consideration towards Existing Service Levels</b> <i>The city will strive to maintain existing infrastructure and services at a level of increasing costs by increasing efficiencies and preparing for anticipated future needs through reserves and contingencies.</i>	<ul style="list-style-type: none"> <li>Work towards creating an accurate inventory of existing assets with linkages to the services and service levels they support.</li> <li>Establish cost-effective long-term plans for assets that consider their operation, maintenance, and eventual replacement.</li> <li>Ensure that property tax and utility rate increases for infrastructure replacement and replacement are predictable, respond to inflation, and are aligned with fiscal targets approved by Council.</li> </ul>	<ul style="list-style-type: none"> <li>Periodically review programs and services to ensure they are aligned with Council priorities, and that they are provided cost-effectively.</li> <li>Existing user fees should be reviewed regularly to ensure that they are in line with recovery targets and should strive towards full cost recovery.</li> <li>Ensure that property tax and utility rate increases for services are predictable, respond to inflation, and are aligned with fiscal targets approved by Council.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain adequate reserves to meet obligations, save for asset replacement, allow the flexibility to take advantage of unexpected opportunities, and the ability to respond to unanticipated one-time expenses.</li> <li>Strive to fully manage cost pressures related to maintaining existing service levels through efficiencies.</li> <li>Where an asset benefits multiple generations, debt may be used to ensure that all benefiting parties eventually participate in the sharing of costs.</li> </ul>
<b>2. Growth Pays for Growth</b> <i>Infrastructure and services that support new growth should be funded, to the fullest extent possible, through new property tax assessment and growth-related revenues.</i>	<ul style="list-style-type: none"> <li>Strive to optimize the utilization of existing assets to support new growth.</li> <li>Ensure that new growth-related infrastructure is timed and located as possible with new assessment growth that will support its operations.</li> </ul>	<ul style="list-style-type: none"> <li>The cost of administering growth and development should be funded by growth-related user fees.</li> <li>New property tax assessment should offset the increased cost of services that are brought on for new residents.</li> </ul>	<ul style="list-style-type: none"> <li>Collect the maximum growth-related revenues possible within legislation in order to minimize the financial impact to existing residents.</li> <li>The tax rate stabilization reserve may be used in order to manage timing differences with assessment growth and growth-related infrastructure and service needs.</li> </ul>
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# Fiscal Framework

## Principle #3 – Approach to Managing Money

- Where possible, consider ways in which new service excellence initiatives that benefit residents can pay for themselves over time.
- Make investments in the City's financial portfolio that are stable, low risk, and provide a long-term revenue stream.

Guiding Principles	Principles in Action		
	Approach to Infrastructure	Approach to Services	Approach to Managing Money
<b>1. Consideration Towards Existing Service Levels</b> <i>The city will strive to maintain existing infrastructure and services in a climate of decreasing costs by leveraging efficiencies and preparing for anticipated future needs through reserves and contingencies.</i>	<ul style="list-style-type: none"> <li>Work towards creating an accurate inventory of existing assets with linkages to the services and service levels they support.</li> <li>Establish cost-effective long-term plans for assets that consider their operation, maintenance, and eventual replacement.</li> <li>Ensure that property tax and utility rate increases for infrastructure renewal and replacement are predictable, respond to inflation, and are aligned with fiscal targets approved by Council.</li> </ul>	<ul style="list-style-type: none"> <li>Periodically review programs and services to ensure they are aligned with Council priorities, and that they are provided cost-effectively.</li> <li>Existing user fees should be reviewed regularly to ensure that they are in line with recovery targets and should drive towards full cost recovery.</li> <li>Ensure that property tax and utility rate increases for services are predictable, respond to inflation, and are aligned with fiscal targets approved by Council.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain adequate reserves to meet obligations, save for asset replacement, allow the flexibility to take advantage of unexpected opportunities, and the ability to respond to unanticipated one-time expenses.</li> <li>Strive to fully manage cost pressures related to maintaining existing service levels through efficiencies.</li> <li>Where an asset benefits multiple generations, debt may be used to ensure that all benefiting parties across time participate in the sharing of costs.</li> </ul>
<b>2. Growth Pays for Growth</b> <i>Infrastructure and services that support new growth should be funded, to the fullest extent possible, through new property tax assessment and growth-related revenues.</i>	<ul style="list-style-type: none"> <li>Strive to optimize the utilization of existing assets to support new growth.</li> <li>Ensure that new growth related infrastructure is timed as closely as possible with new assessment growth that will support its operations.</li> </ul>	<ul style="list-style-type: none"> <li>The cost of administering growth and assessment should be funded by growth-related user fees.</li> <li>New property tax assessment should offset the increased cost of services that are brought on by new residents.</li> </ul>	<ul style="list-style-type: none"> <li>Collect the maximum growth-related revenues possible within legislation in order to maximize the financial impact to existing residents.</li> <li>The tax rate stabilization reserve may be used in order to manage timing differences with assessment growth and growth-related infrastructure and service needs.</li> </ul>
<b>3. New Initiatives to Enhance the City</b> <i>Investments in new initiatives should enhance service levels, improve efficiencies, mitigate risks, address regulatory requirements, support service excellence, or enhance quality of life for residents while staying within the city's financial means.</i>	<ul style="list-style-type: none"> <li>New infrastructure investments related to new service levels should be aligned with Council priorities.</li> <li>The city should explore opportunities to minimize life cycle costs for infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>When new services benefit select users those services should be funded through user fees where feasible, whereas new services for which there is a public good should be funded through property tax.</li> <li>New initiatives to enhance the citizen experience should demonstrate value for money to the taxpayers from a quantitative and/or qualitative perspective and be aligned with Council priorities.</li> </ul>	<ul style="list-style-type: none"> <li>Service excellence initiatives, where possible, should be cost neutral over an identifiable period of time, and benefits should be demonstrable.</li> <li>New investments in the city's portfolio should be stable, low risk, and provide a long-term revenue stream.</li> </ul>



# Fiscal Framework Policy Work Plan

- The main focus of the work will be to identify required fiscal corporate policies and provide updates to existing policies
- Some policies may require recommendations from the fiscal model
- High level work plan with the ability to remain flexible with the timing of delivery

Policy	2016	2017					2018		Beyond
	Q4	Q1	Q2	Q3	Q4	Q1	Q2		
Capital Budget Policy									
Operating Budget Policy									
Reserve Policy									
Development Finance Policies									
Investment, Cash Management, and Debt Policies									



# 2018 DC Background Study and Bylaw Update



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# 2018 DC Background Study and Bylaws Update

## Project Scope

### Objective:

- Update the Development Charge Bylaw by **May 2018**  
(Required by the Development Charges Act to be updated by September 21, 2018)

### High Level Deliverables

- Development Charge Background Study (City-Wide and Area-Specific Development Charges, excluding Black Creek)
- Stakeholder Consultation
- Development Charge Bylaws Update and Policy Work





# 2018 DC Background Study and Bylaws Update RFP

- Main deliverables expected from consultant, as identified in RFP:
  - Interim growth scenario for the Municipal Comprehensive Review/Official Plan Review
  - Development Charges Background Study and Bylaws
    - Including a Local Service Policy
  - Long Range Fiscal Model and Forecast
- Expanded scope of work for consultant in RFP to take advantage of synergies between Growth Forecasting, DC Background Study, and Fiscal Modelling for future analyses
- Award is expected in March



# 2018 DC Background Study and Bylaws Update

## High-Level Timeline

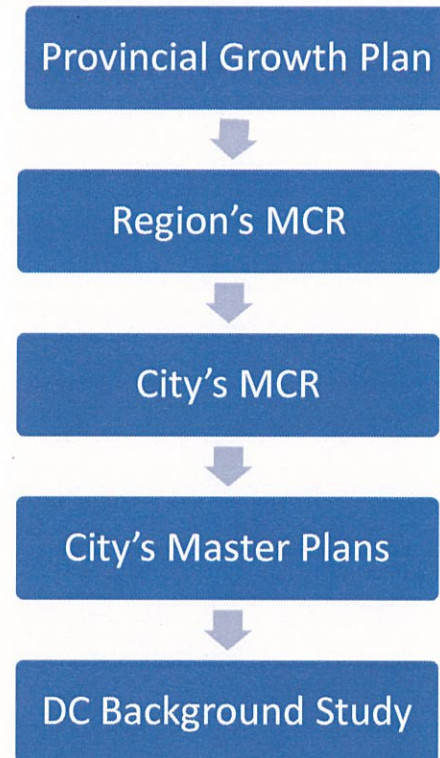
Task	2016	2017				2018
	Q4	Q1	Q2	Q3	Q4	Q1
Hire Consultant						
Growth Forecast						
Soft Services (Inventory/Capital)						
Hard Services (Inventory/Capital)						
Engineering Master Plans						
Active Together Master Plan						
Fire Master Plan						
Industry Consultation						
Finalize DC Study and Bylaws Update						
Legend:	City Staff and MP Consultants	DC Consultant				



# 2018 DC Background Study and Bylaws Update

## Provincial Growth Plan Update – Challenges to Timelines

- Preliminary draft of Provincial Growth Plan Update proposes:
  - Minimum residential intensification target increase from 40% to 60%
  - Minimum designated greenfield area density target increase from 50 to 80 residents and jobs per hectare
- Proposed changes have not been approved
- City's DC Study must be complete by September 2018
- Included growth forecasting as part of the overall scope of the project in the RFP to provide flexibility to respond to new information as it becomes available



# Financial Sustainability

## Next Steps

### Fiscal Framework

- Roll out of Guiding Principles Internal Communications Plan (Q1 2017)
- Report on Phase 1 of Fiscal Framework Policy Work (Q2 2017)

### 2018 Development Charge Bylaw Update

- Award Consulting Contract (Q1 2017)
- Complete Growth Scenarios, Various Master Plans, Service Level Inventories and Ongoing Stakeholder Consultation (From Q2 2017 to Q1 2018)
- Draft DC Background Study Completed (Q1 2018)



# Questions?



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**FINANCIAL SUSTAINABILITY PROGRAM AND FISCAL FRAMEWORK GUIDING PRINCIPLES****Recommendation**

The Chief Financial Officer and City Treasurer and Director of Financial Planning & Development Finance and Deputy City Treasurer, in consultation with the Corporate Management Team, the Fiscal Framework Senior Management Advisory Team and the Development Charge By-law Review Senior Management Advisory Team recommend:

1. That the Financial Sustainability Program work plan be received; and
2. That the Fiscal Framework Guiding Principles be endorsed.

**Contribution to Sustainability**

This report and attached guiding principles provide a basis for sustainability by providing an overarching framework under which new policies related to financial sustainability may be developed and fiscally sound decisions may be made.

**Economic Impact**

All funding required for the Financial Sustainability Program has been approved within the Financial Planning and Development Finance Department's capital budget (Projects BU-0011-16 and DI-0075-15). Additional funding required for the growth forecasting component of work required by the development charge consultants will be funded through the Policy Planning and Environmental Sustainability Department's capital project PL-9550-16.

The outcome of this program will impact the entire corporation as the Fiscal Framework and 2018 Development Charge Background Study and By-laws will be used in future fiscal planning and decision making. The Fiscal Framework and related policy work are intended to provide guidance to several aspects of the corporation's processes such as preparation of operating and capital budgets, management of reserves and debts, use of property tax vs. non-tax revenue and long range fiscal planning.

**Communications Plan**

As the Financial Sustainability program is of corporate significance and the individual projects are complex with the need for multi-disciplinary teams, it is important to ensure appropriate representation from stakeholders across the City. Therefore several cross functional teams have been identified and a governance model has been developed to align departmental expertise and interests to enable effective project management and collaboration throughout the duration of the projects.

***Change management will be critical to the success of the program***

The Financial Sustainability program will result in several changes to the way that staff approach financial planning. The intent of the Financial Sustainability Program is to create a series of documents that staff are able to easily access, understand and actively use in their decision making. To ensure the success of the program, staff across all levels of the organization will need to be engaged. The development of project teams was a first step towards fostering engagement across the organization. Additionally, a communications plan to roll out various elements of the program has also been prepared. Tactics will include frequent messaging on the online portal along with regular management updates. The Financial Sustainability program will

also be included as a topic at the next Managers and Supervisors Forum to show active and visible executive sponsorship and to effectively communicate the changes to all levels of staff.

In addition to this comprehensive communications plan, the Office of the City Manager has committed to a semi-annual progress report on the Term of Council Service Excellence Strategy Map (2014-2018). This report will provide a status update on the key activities supporting the Term of Council Priorities and Service Excellence Strategic Initiatives which includes the key activities identified in this report.

### **Purpose**

The purpose of this report is to present the Finance, Audit and Administration Committee with the work plan for the Financial Sustainability Program. The workplan is presented in the following parts:

PART A: Introduction to Financial Sustainability Program  
PART B: Fiscal Framework  
PART C: 2018 Development Charge By-law Review

### **Background - Analysis and Options**

On September 30, 2015, as a part of the City's commitment to a renewed focus on Service Excellence, Council approved the Term of Council Service Excellence Strategy Map that provided a focused set of priorities for the corporation to deliver upon during the 2014-2018 Council term. As a part of this process Financial Sustainability was identified as a Service Excellence Strategic Initiative with the development of a sustainable Fiscal Framework being an initiative that would support the operational performance of the City.

#### **PART A: Introduction to Financial Sustainability Program**

##### ***Two key activities were identified under the Financial Sustainability Program***

On April 4, 2016 staff presented a series of key activities that were in alignment with the Term of Council Priorities with a commitment to advancing these initiatives by 2018. Within these key activities, two projects were identified as a part of the Financial Sustainability Program:

1. The development of a Fiscal Framework; and
2. The update of the City-Wide and Area Specific Development Charge By-laws.

##### ***Dedicated teams have been established to ensure the successful delivery of the Program***

A governance model was established to ensure appropriate oversight and expertise will be given to the two projects under this program. A Senior Management Advisory Team has been identified for each of the projects within the program to ensure active engagement across relevant Departments across the organization. The Senior Management Advisory Teams are comprised of Directors/Managers that either hold specific interests in the outcome of each of the identified projects or represent a cross section of the organization that will provide valuable insight into the project material.

A Technical Committee of Subject Matter Experts across all staff levels of the corporation has also been identified to provide support on various elements for each project. This will encourage a sense of ownership of the projects across the corporation and will ensure the appropriate expertise is sought when needed.

## **PART B: Fiscal Framework**

The first key activity identified in the Financial Sustainability Program was the development of a Fiscal Framework that would consider the recommendations established in the 2012 Financial Master Plan while taking a renewed conceptual approach. The intention of the Fiscal Framework is to provide a conceptual and principle based approach to ensuring that decision making in the organization is carried out in a manner that is mindful of the City's ability to financially sustain the impacts of decisions in both the short and long terms. Much of the framework is intuitive in nature, simple to follow and is likely already being practiced by much of the organization. Many concepts equate to common business sense and sound fiscal approaches.

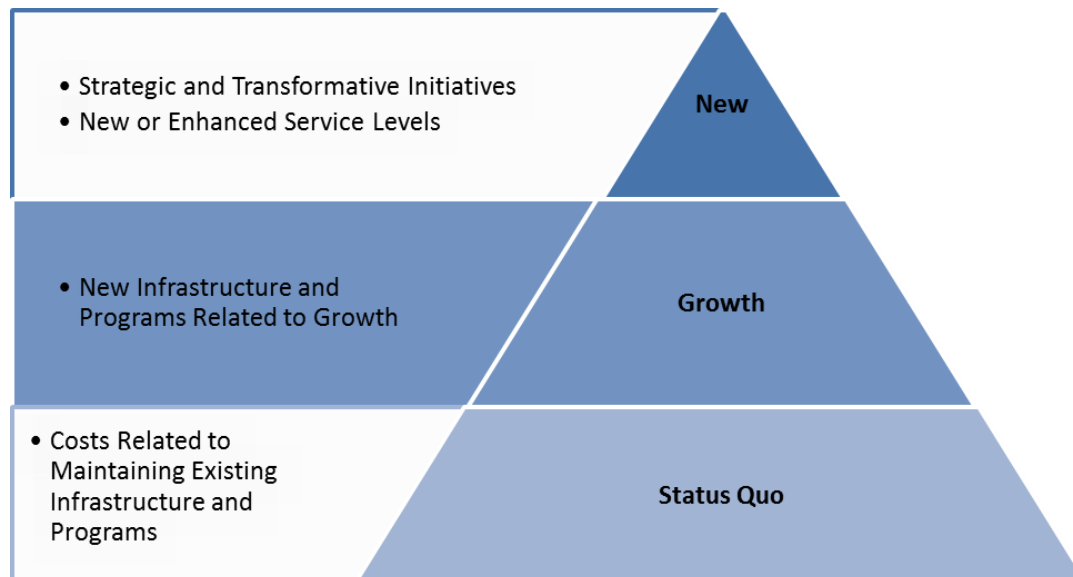
As a part of this project, three main deliverables were identified as the creation of guiding principles that would act as the foundation of the framework, the development of fiscal policies that would support staff to make decisions in a financially sustainable manner, and the development of a Long Range Fiscal Model and Forecast which would help to identify and manage pressures related to the timing of growth and development within the City.

### ***The Guiding Principles' conceptual framework mirrors the types of cost pressures identified in the City's 2016 and 2017 Budget Books***

The foundation of the fiscal framework is to provide a set of Guiding Principles that represent responsible fiscal management. These guiding fiscal principles are intended to be high level in nature, easily understood by Council, staff, and residents, and create general parameters within which financial decisions may occur.

Below is an outline of the methodology used to prepare the Guiding Principles whereas the Guiding Principles table and supporting detail may be found in Attachments 1 and 2.

In 2016 several significant positive changes were made to the City's Budget Book including the introduction of three categories of financial pressures that are being faced by the City, as illustrated below:



**Status Quo:** Represents increases or decreases in costs associated with fluctuating revenues and costs to provide current services to the community.

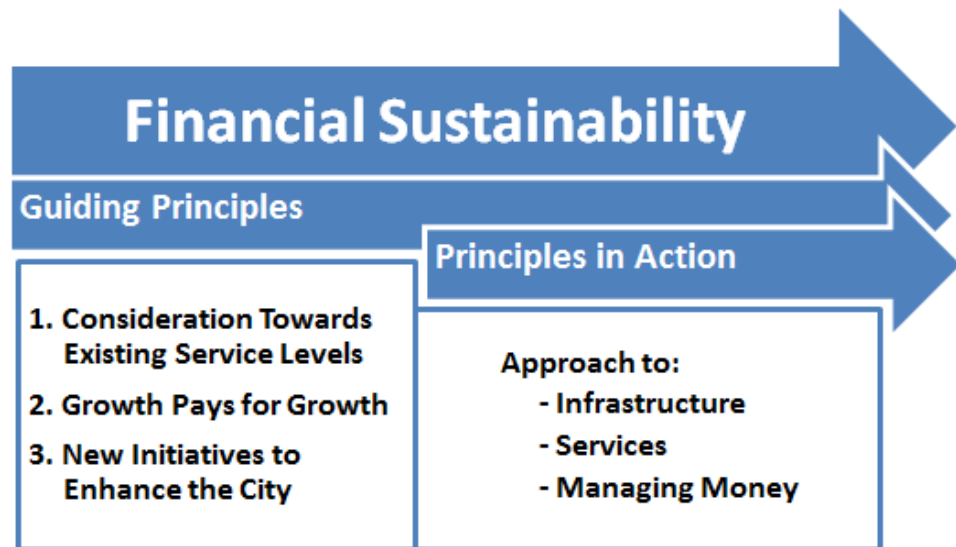


**Growth:** Represents increases or decreases in costs associated with user fee volume and assessment growth and the operating costs associated with developer paid infrastructure (i.e. new community centres, libraries, roads, parks).

**New:** Represents increases or decreases in costs associated with strategic, transformational or new initiatives.

These financial pressures are prevalent in Vaughan due to the pace of growth that the City has experienced, and will continue to experience into the future. Provincial and Regional forecasts see Vaughan moving from an existing population of approximately 330,000 to 427,000 by 2031. At the 2036 and 2041 horizons the population is projected to increase to 463,000 and 497,000 respectively. Due to this rapid growth, it is expected that the City will continue to face the same types of challenges while making financial decisions into the future. It is therefore appropriate to mirror these pressures within the Guiding Principles as a part of the fiscal framework.

Using these three categories of financial pressures as the basis for the guiding principles a conceptual framework was developed as illustrated below:



This conceptual framework includes three principle statements that provide some further insight to each principle:

**Consideration Towards Existing Service Levels:**

“The city will strive to maintain existing infrastructure and services in a climate of increasing costs by leveraging efficiencies and preparing for anticipated future needs through reserves and contingencies.”

**Growth Pays for Growth:**

“Infrastructure and services that support new growth should be funded, to the fullest extent possible, through new property tax assessment and growth related revenues. New property tax assessment should not subsidize existing service levels.”

**New Initiatives to Enhance the City:**

“Investments in new initiatives should enhance service levels, improve efficiencies, mitigate risk, address new regulatory requirements, support service excellence or enhance the quality of life for residents while staying within the city’s financial means”

These principle statements were then further built upon through the addition of the “Principles in Action” statements that are intended to assist in demonstrating the use of the guiding principles in the areas of infrastructure, services, and managing money as seen in Attachment 1 and 2. The Principles in Action statements are meant to be demonstrative of the principles, but are non-exhaustive in nature.

***Principles will be used in operational decision making***

Once approved, the Guiding Principles will be made available for use throughout the corporation. The intent is to have staff consider how their work fits into the overall context of the fiscal framework. The Guiding Principles will be a tool staff can use to make principle based decisions regarding the financial sustainability of proposed initiatives, whether it is operating or capital in nature. The guiding principles may be referenced in future staff reports within the economic impact section to help demonstrate to Council how an initiative fits into the City's framework.

***Fiscal policies will be developed to support financial sustainability***

As a part of the Fiscal Framework project, several gaps in existing policy have been identified. In many cases revisions to new policy will be required, while in other areas entirely new policies must be drafted. It should be noted that distinction has been made between “fiscal” and “financial” policy. For the purposes of this framework only “fiscal” related policy (related to long term sustainability, budgeting and reserve management) will be reviewed, while “financial” policy (related to accounting controls, expense policies, financial statements) are out of scope for this project.

The broad categories of policies to be reviewed include:

- Capital and Operating Budget Policies
- Reserve Policies
- Investments, Cash and Debt Policies
- Development Finance Policies

Work has begun on the first phase of policy work which is planned for delivery to FAA in the second quarter of 2017. Subsequent policies will be delivered throughout the year (roughly every quarter) to mid-2018. The Guiding Principles form the foundation for the fiscal policies that will be prepared in the upcoming months. The Guiding Principles and policies will work hand in hand to create a fiscal framework that will help ensure decision making is inclusive of a financial sustainability mindset.

***The development charge consultant will prepare the Long Range Fiscal Model and Forecast in order to leverage synergies***

As a part of the work plan for the Fiscal Framework it has been identified that a Long Range Fiscal Model and Forecast should be prepared by an external consultant. Additionally, because the types of data to be used in the update of the Development Charge Background Study and Bylaw are similar in nature to the types of data that would be used in the Fiscal Model it is believed to be optimal to have an external consultant prepare both. The Fiscal Model and Development Background Study will share similar inputs related to development such as population and employment assumptions, residential unit assumptions and capital expenditure assumptions.

The goal of the Fiscal Model is to create an excel based tool that can be used in future budget processes that will allow staff to assess the current and future financial position of the City. The outputs of the model will place particular emphasis on the capital and operating impacts of development approvals and related growth assessment increases and may include an evaluation

of tax rate stabilization requirements, infrastructure replacement reserve requirements and the optimal financial timing for the emplacement of infrastructure and new services.

## **PART C: 2018 Development Charge By-law Review**

### ***2018 Development Charge By-law Update***

The Development Charges Act, 1997 requires that an update to the City's Development Charge By-laws be undertaken at least every five years. This means that the next City-Wide Development Charge By-law and Area Specific Development Charge By-laws (excluding the Black Creek ASDC) must be updated by September 2018. As this project determines the growth related infrastructure needs of the City, it is considered a key contributor towards long term financial sustainability and is therefore included as a part of the Financial Sustainability Program.

This project will include the drafting of the 2018 Development Charge Background Study, Development Charge By-law policy changes and new development finance policies. This work will also include consultation with the development industry to allow for feedback on the project deliverables.

### ***The Development Charges By-law Review is still in a project planning stage***

As the City's Development Charge By-law expires in September 2018, the By-law review is still at a very early stage. The SMT Advisory Team has met and early discussions on the project have taken place. Staff have been regularly attending Regional staff meetings regarding the Regional Development Charge By-law update. Staff have also completed a Request for Proposal (RFP) for a Development Charge consultant, which closed on January 4, 2017. An evaluation of proposals is currently taking place and an award is expected for the March 2017 Finance, Administration and Audit Committee meeting. Soon after a consultant is retained, it is expected that the project will begin rapid and immediate progress.

### ***The Development Charge By-law Review is expected to take approximately one year and engage several areas of the organization***

The Development Charge By-law Review is expected to include the following elements, which are presented in a rough chronological order, but may overlap considerably:

1. Preparation of Growth Planning Scenarios
2. Start of consultation with Development Industry
3. Completion of Service Level Inventories
4. Inputs from various Master Plans (Transportation, Active Together, Fire)
5. Preparation/consolidation of long term capital plans
6. Determination of Development Charge Rates
7. Consideration of Asset Management Plans and Operating Impacts of new infrastructure
8. By-law administration and policy work
9. Consultation with Public at Large
10. Passage of new by-laws by Council in second quarter of 2018

### ***The changes to the Provincial Growth Plan present challenges to timelines***

In February 2015, the Province initiated a comprehensive review of all growth plans. As a part of this review the Province proposed changes to the Growth Plan including a change to the minimum residential intensification target from 40 percent to 60 percent of all new growth to be located in the existing built-up area and the minimum Designated Greenfield Area (DGA) density target increase from 50 to 80 residents and jobs per hectare. As these proposed changes are not

anticipated to be finalized before the end of the year, this will have an effect on the ability of the City to update the Development Charge Background Study using the new targets.

The Region is required to complete an update to their Development Charge By-Law before the end of 2017. This update would typically be performed using growth data pulled from their finalized MCR, but because of the delay related to the Provincial amendments, the Region needed to take an alternate approach. As substantial work had already been completed by the Region using the 45 percent intensification scenario, it was determined that the best approach to updating their Development Charge Background Study would be:

- To use existing population projections out to 2031;
- To assume a 45 percent intensification target;
- To exclude all infrastructure costs related to an expansion into the White Belt; and
- To use the projections from their newly endorsed Transportation Master Plan and Water/Wastewater Master Plans out to 2031

The Region has also committed to reopening their Development Charge By-law for re-review before the statutory five year period once the Province finalizes their amendments and the Region's MCR is complete. It is anticipated that this may take two years.

The City faces similar challenges regarding the update to the 2018 Development Charge Background Study and By-law as the Regional MCR informs the City's MCR and the City's MCR typically helps to inform the master plans that are used to update the Development Charge Background Study.

In order to manage the gaps in information, City staff have determined that the terms of reference for the Development Charge Background Study and By-law consultant should include growth forecasting as a part of the overall scope of the project. This will allow an opportunity for the City to incorporate the work done by the Region using the 45 percent intensification scenario along with sensitivity analysis. Additionally, if new information regarding the growth forecasts becomes available during the update it will allow the City's consultants to more effectively respond to and incorporate this new data. This growth analysis can then be used to update the other master plans in the City including the Transportation Master Plan.

#### **Relationship to Term of Council Service Excellence Strategy Map (2014-2018)**

This report is directly related to Financial Sustainability which is a Service Excellence Strategic Initiative related to Operational Performance.

#### **Regional Implications**

The Region is currently working on an update to their Development Charge By-law which is anticipated to be completed by June 2017. Throughout the process City staff have participated in regular meetings with Regional staff to receive updates and provide feedback on proposed by-law policy revisions. In addition to these meetings, City staff intend to engage Regional staff regularly during the City-Wide By-law update to ensure coordination and cohesiveness between the approach of the Region and the City.



## **Conclusion**

The Financial Sustainability Program which includes the development of a Fiscal Framework and an Update to the Development Charge Background Study and By-law will ensure that effective measures are put into place to guide the long term financial sustainability of the City.

The Fiscal Framework will enhance the City's ability to develop financially sustainable decision making practices and to help identify and manage pressures and constraints now and in the long term. The first step in achieving this goal is to establish guiding principles to provide a foundation under which policies can be developed and operational decisions can be made regarding services and infrastructure with a financial sustainability mindset.

## **Attachments**

Attachment 1: Guiding Principles Table

Attachment 2: Guiding Principles in Action

## **Report prepared by:**

Brianne Clace, Project Manager, Financial Sustainability, ext. 8284

Heidi Wong, Financial Analyst, Financial Sustainability, ext. 8724

Respectfully submitted,

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

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

Guiding Principles	Principles in Action		
	Approach to Infrastructure	Approach to Services	Approach to Managing Money
<p><b>1. Consideration Towards Existing Service Levels</b></p> <p><i>The city will strive to maintain existing infrastructure and services in a climate of increasing costs by leveraging efficiencies and preparing for anticipated future needs through reserves and contingencies.</i></p>	<ul style="list-style-type: none"> <li>• Work towards creating an accurate inventory of existing assets with linkages to the services and service levels they support.</li> <li>• Establish cost-effective long-term plans for assets that consider their operation, maintenance, and eventual replacement.</li> <li>• Ensure that property tax and utility rate increases for infrastructure renewal and replacement are predictable, respond to inflation, and are aligned with fiscal targets approved by Council.</li> </ul>	<ul style="list-style-type: none"> <li>• Periodically review programs and services to ensure they are aligned with Council priorities, and that they are provided cost-effectively.</li> <li>• Existing user fees should be reviewed regularly to ensure that they are in line with recovery targets and should strive towards full cost recovery.</li> <li>• Ensure that property tax and utility rate increases for services are predictable, respond to inflation, and are aligned with fiscal targets approved by Council.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain adequate reserves to meet obligations, save for asset replacement, allow the flexibility to take advantage of unexpected opportunities, and the ability to respond to unanticipated one-time expenses.</li> <li>• Strive to fully manage cost pressures related to maintaining existing service levels through efficiencies.</li> <li>• Where an asset benefits multiple generations, debt may be used to ensure that all benefitting parties across time participate in the sharing of costs.</li> </ul>
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<p><b>3. New Initiatives to Enhance the City</b></p> <p><i>Investments in new initiatives should enhance service levels, improve efficiencies, mitigate risks, address new regulatory requirements, support service excellence, or enhance quality of life for residents while staying within the city's financial means.</i></p>	<ul style="list-style-type: none"> <li>• New infrastructure investments related to new service levels should be aligned with Council priorities.</li> <li>• The city should explore opportunities to minimize life cycle costs for infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>• When new services benefit select users these services should be funded through user fees where feasible, whereas new services for which there is a public good should be funded through property tax.</li> <li>• New initiatives to enhance the citizen experience should demonstrate value for money to the taxpayers from a quantitative and/or qualitative perspective and be aligned with Council priorities.</li> </ul>	<ul style="list-style-type: none"> <li>• Service excellence initiatives, where possible, should be cost-neutral over an identifiable period of time and benefits should be demonstrable.</li> <li>• New investments in the city's portfolio should be stable, low risk, and provide a long term revenue stream.</li> </ul>

# Guiding Principles in Action

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This document is an accompaniment to the Guiding Principles Table and is intended to provide more clarity on how the principles should be applied across the areas of infrastructure, services and the management of money. Each principle is elaborated upon with Guiding Principle in Action statements, which are intended to be demonstrative of the principles, but are non-exhaustive in nature. The Guiding Principles in Action statements are further supported in this document with detailed descriptions and examples.

It should be noted that there are a few concepts that broadly apply across all of the Guiding Principle statement categories.

- Grants: City staff should be lobbying for consistent sources of grant funding from upper levels of government. This approach should be taken for all infrastructure and services, regardless of whether they are status quo, growth-related, or new in nature.
- Legislation and/or Regulations: Activities within the City that are dictated by legislation and/or regulations must continue adherence and may not be overridden by any principle statements included within the Fiscal Framework. Projects and services across all three categories within the matrix may be affected by legislation and/or regulations.

The Guiding Principles are developed as a corporate wide tool for both external and internal servicing departments to make decisions with financial sustainability in mind. In order to best utilize this tool, departments should be aware of its current service levels in order to determine whether the proposed initiative is considered an existing, growth-related, or new service level within the Fiscal Framework. Establishing service levels also enables better performance measurement practices that work towards results-based accountability and long term sustainability.

## 1. Consideration Towards Existing Service Levels

***The city will strive to maintain existing infrastructure and services in a climate of increasing costs by leveraging efficiencies and preparing for anticipated future needs through reserves and contingencies.***

The City's ability to maintain the status quo is the foundation of its long term financial health and sustainability. Existing residents of the City expect to continue receiving the types of services and service levels that they are accustomed to in the past, however, the cost of maintaining this naturally increases over time due to inflationary pressures such as increases in labour and costs of materials. These cost pressures must be managed by the City through continuous pursuit of efficiencies that can be leveraged to offset increasing costs. This does not, however, suggest that services should be maintained without due consideration towards whether the service is meeting the needs of the community, or whether the service level is appropriate. Regular review in this regard is therefore required.

### Example of Applying the Principle

A City vehicle may be used for staff to conduct business off-site. If this vehicle travels the same route every year but experiences an increase in fuel costs, this would be considered a status quo cost pressure. In order to help mitigate status quo costs, efficiencies may potentially be leveraged by reviewing the existing travel routes or emplacing more fuel efficient vehicles. Additionally, staff can consider whether the existing service level is appropriate to meet the needs of the community, and whether there may be better approaches to deliver the service. The life cycle costs of this vehicle should also be planned for upfront through reserve contributions so as to not compromise the service level provision.

Being considerate to the needs of the community also entails ensuring that increases in property taxes, utility rates and user fees for the delivery of services remain predictable to the residents and respond to inflationary and increasing cost pressures. Setting targets is a recommended practice because it provides this predictability and also encourages staff to continue to derive efficiencies, either internally or potentially through external factors such as technological advancements, to place downward pressure on rising inflationary costs. As a part of this effort, staff should always strive to ensure that when costs in one area increase, an offset is found as savings in another area. Existing user fees should be reviewed regularly to ensure that they remain in line with the recovery targets approved by Council, are funded from an appropriate source, and recover the full cost of the service where possible. This will ensure that the public is paying appropriately for services, and costs are transferred to those who benefit from access to specific services.

A critical component when considering existing service levels is planning for the maintenance, repair and replacement of assets that the City already has in place. The City relies on a multi-billion dollar portfolio of infrastructure and physical assets to deliver its existing levels of municipal services. To ensure that the desired service levels can be met on an on-going basis, the City should work to establish an accurate inventory of its assets and have a clear understanding of how these assets contribute to the provision of services and service levels. This understanding, along with forecasts of asset deterioration, will allow for appropriate financial planning to establish cost-effective long-term plans that consider the operations, maintenance and eventual replacement of the City's assets in order to uphold service levels. Additionally, the integration of asset management planning into each of the City's Master Plans will provide predictability and help smooth cost impacts over time.

To support this effort, the City is implementing a Computerized Maintenance Management System (CMMS), which will record operations and maintenance costs, as well as asset failure rates. This data can be used to monitor asset performance and on-going expenditures to evaluate whether the current maintenance plan is cost effective and consider the possible tradeoffs between preventative maintenance and run-to-failure approaches, which make full use of an asset but may result in unscheduled downtime. This data may also be used to prepare long term financial forecasts to ensure that funds are available in the City's reserves at the appropriate time for infrastructure and asset renewal, which should be prioritized based on the extent to which they mitigate the City's risk exposure.

In addition to maintaining reserves for the renewal of infrastructure and assets, reserves are used to support various financial needs of the City in the short, medium and long term, including legislated obligations, dedications for future purposes, anticipated expenses requiring smoothing over time, and contingencies or unexpected events. Reserve targets set through the Reserve Policy should consider asset management and other sources of data to ensure that adequate reserves exist to provide financial stability and flexibility.



Reserve funds are used in conjunction with debt and investments to meet the City's funding requirements. In the instance where an asset provides a service that would benefit multiple generations within a community, debt may be appropriate to spread this cost across all of the generations that share in the benefit the asset provides. An example of this would be a large infrastructure project such as a road that can be used for 25 years. This road may be debt financed to allow the cost to be spread across the 25-year lifespan of the asset, and in turn, across the generations within the 25 years that will use and benefit from the road.

The City's priorities may also need to be adjusted over time due to changes in demographics, the needs of the residents and businesses within the City, and advancements in how services and programs are delivered. It is therefore important for staff to review existing programs and services periodically to ensure that they are aligned with the priorities of Council and that they are delivered in the most cost effective manner.

## 2. Growth Pays for Growth

***Infrastructure and services that support new growth should be funded, to the fullest extent possible, through new property tax assessment and growth related revenues.***

As the City experiences growth from new residents and businesses moving to Vaughan, capital infrastructure and service volumes inevitably must be increased to ensure that service level targets are maintained. Growth also brings new property tax assessment and growth related revenues to the City. The City should strive to ensure that the costs borne to support this new growth are paid for by the new population, to the fullest extent possible, as to not place unnecessary pressure on the existing population.

New property tax assessment and capital growth revenues (e.g. development charges) related to this growth should be used to fund the associated costs of the increased infrastructure and service volumes. In order to ensure that this can occur, capital investments should be made as closely as possible to when the new assessment growth is anticipated to be realized, and future operating impacts should be considered at the time of capital budget submission. In instances where growth related infrastructure and services may be required ahead of growth, or when assessment growth exceeds infrastructure and service requirements in any given year, these fluctuations should be managed through the use of transfers to and from a tax rate stabilization reserve. This will allow the City some flexibility in managing cyclical costs and will ensure that existing property tax assessment is not subsidizing growth related service levels.

### **Example of Applying the Principle**

A new subdivision brings an increased number of residents to the City which places pressure on City services both externally and internally. An external facing department, such as the parks department, may be required to service a new system of parks within the subdivision, which would require additional parks operations staff and a new vehicle.

In this example of a new subdivision, hard and soft services such as new roads, a community centre, library, park, and fire station may all need to be built to ensure the new residents experience the same level of service as existing residents.

These are considered growth related pressures and should be paid for by new property tax assessment and growth related revenues to the fullest extent possible.

Another tool in ensuring that growth pays for growth is ensuring that existing infrastructure is utilized to its fullest capacity before new growth related assets are brought on board. This will ensure that the use of growth related funds is maximized. Non-infrastructure solutions should also be considered, such as initiatives to manage demand.

City services provided, that relate to the growth and development of the City, such as engineering, development planning and building standards services, should be funded through growth-related user fees, which should, where possible, provide for full cost recovery. These fees should be regularly reviewed and updated, and indexing mechanisms should be put in place to respond to inflationary and increasing cost pressures. The City should also make every effort to ensure that development charges and other growth-related fees associated with new development are collected to the fullest extent in an effort to ensure that growth pays for growth.

Some departments that are indirectly affected by growth may find it more difficult to show a correlation between increasing staff requirements or increasing department costs and increasing growth within the City. In order to better support these cost increase requirements performance measures should be developed that can effectively illustrate the pressures of growth within the department. The use of performance measures will further substantiate growth related requests for funding.

### 3. New Initiatives to Enhance the City

***Investments in new initiatives should enhance service levels, improve efficiencies, mitigate risks, address new regulatory requirements, support service excellence or enhance the quality of life for residents while staying within the city's financial means.***

The purpose of new initiatives is to enhance the City. Investments in new initiatives should only be made if they are affordable and sustainable to the City in the long term.

When undertaking new strategic initiatives that support achieving the priorities set out by Council, the initiatives should demonstrate value for money, and the long-term benefits to residents, including improved efficiencies, should be clear. Value for money is defined as using the minimum input to achieve the maximum output, which can be quantitative and/or qualitative. Therefore, new initiatives to enhance the citizen experience should demonstrate value for money by minimizing the overall financial impact to the residents while achieving the priorities aligned with the strategic direction of Council.

#### **Example of Applying the Principle**

A modernization of existing processes by investing in new technology is considered a new initiative that enhances the City. For example, by providing field inspectors with mobile devices to manage their inspections, it enhances the citizen experience by improving efficiencies in the inspection process, and mitigates the City's risks by being better able to comply with regulatory inspection requirements. Cost recoveries may be found through inspection fees, where only the users that require inspections pay for the cost of the service.

New initiatives may also be required in response to new regulatory or legislative requirements from higher levels of government. Where a new regulation demands new or enhanced service levels, consideration should be given to how the new initiative can be implemented in a way that best mitigates the City's risks and best complements the City's other priorities.

All associated ongoing or operational costs related to new initiatives should be made cost neutral through efficiencies where possible, or through the generation of a reliable and continuous offsetting revenue source related to the initiative. When determining sources of offsetting revenue for new services, an assessment should be made to determine whether the service is a public good that benefits the community as a whole, or a user benefit where residents may opt to use the service. A fair and equitable recovery of cost should be achieved by funding common goods through property tax and user benefits with user fees. User fees should aim towards full cost recovery, and cross-subsidization between these two categories should be avoided.

The City should also continue to explore opportunities and find innovative ways to reduce costs to the taxpayers when providing new services and funding lifecycle costs for infrastructure. For example, the City of Vaughan is switching to LED streetlights because of their lower maintenance costs, longer lifespan, and contribution to the environmental sustainability of the City. Alternative service delivery options may also generate savings by finding innovative methods of delivering services, such as through public-private partnerships.

New investments in the City's financial investment portfolio should contribute to the long-term financial sustainability of the city. To achieve this, the investments should be stable, low risk, and provide a long-term revenue stream. An example is the PowerStream Merger and Acquisition, which helps diversify and increase the yield of the city's investment portfolio and provide a relatively stable revenue stream.

While the first two principle statements address upholding a certain level of service, this principle statement provides the opportunity for the City to go beyond that standard and enhance service levels for residents through Council priorities and strategic and transformative initiatives. As the City of Vaughan continues to grow as a City, all three principle statements must be considered together in order to achieve financial sustainability in the long-term.