

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 17, 2016

Item 3, Report No. 6, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on May 17, 2016.

3 2017 FINANCIAL AND BUSINESS PLANNING GUIDELINES

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Chief Financial Officer and City Treasurer and the Director of Financial Planning and Development Finance, and the Director of Transformation and Strategy, dated May 2, 2016:

Recommendation

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

1. That the Financial Planning and Business Planning Guidelines, summarized in this report be endorsed; and
2. That staff bring the 2017 Budget and 2018 Plan to the November 2016 Finance, Administration and Audit Committee meeting and December 2016 Special Council Meeting with Public Input.

Contribution to Sustainability

The Financial and Business Planning Guidelines align and allocate Vaughan's resources to achieve the City's objectives and priorities, as established in the Term of Council Service Excellence Strategy Map ("Strategy Map"). The Strategy Map enhances the City's ability to focus its resources on the priorities that provide the most value to citizens for this term of Council and for the long term sustainability of the City.

Sustainability by definition focuses on the ability to maintain an activity over an extended time horizon. Financial planning is the process of allocating limited resources to achieve the City's objectives and established priorities. Responsible financial planning allocates resources in a way that balances needs and aspirations of the present without compromising the ability to meet those of the future. The proposed approach seeks to minimize the current year funding pressures, while meeting the requirements of sustainability.

Economic Impact

Tax rate increases set to a maximum of three per cent annually for the next two years.

At the January 12, 2015 meeting of the Finance, Administration and Audit Committee (Item 5, Report No. 2), the following Committee recommendation was received and subsequently approved at Council:

That recognizing the community's need for fiscal restraint, over the next few months the Finance, Administration and Audit Committee and City staff shall be directed to work toward a set target not to exceed 3% per annum for the period of 4 years

Detailed in the following table are the recognized levy forecasts presented as part of the 2017-2018 plan. This forecast includes the budget reduction targets required for the City to achieve the directed three per cent tax rate increase.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 17, 2016

Item 3, Finance Report No. 6 – Page 2

Table 1: 2017-2018 Recognized Plan

\$M	2017	2018
	Recognized Plan	
Gross Operating Expenses	273.4	284.0
Less: Non-Tax Revenue	83.0	83.6
Net Operating	190.4	200.4
Less: Assessment Growth	-5.4	-9.1
Less: Supplemental & PIL	-5.8	-5.8
Less: Efficiency Target	-0.5	-1.2
Net Levy Requirement	178.7	184.3
Incremental Levy	6.1	5.6
Tax Rate Increase	3.00%	3.00%
Total Capital Program	\$144.8	\$67.7

The recognized 2017-18 Plan was developed in alignment with the Strategy Map and included proposed efficiency targets that would enable attainment of Council's tax rate increase target of no greater than three per cent each year. In 2016, departments accomplished \$5.4 million in savings, of which 89% are permanent department savings. These permanent savings have assisted in reducing the required expenditure savings in 2017, but a further \$1.7 million would be required to meet the projected target of three per cent.

Revised Assessment Growth Estimates

Recent growth estimates have been revised downward by the Municipal Property Assessment Corporation (MPAC). As a result, staff have amended the budgeted 2017 assessment growth rate from 2 per cent to 1.2 per cent. Consequently, the savings target required to achieve a maximum target of three per cent has been increased from \$0.5 million to \$1.7 million for 2017 and from \$1.2 million to \$2.1 million in 2018.

Communications Plan

Financial planning and business planning guidelines, preliminary budgets and detailed instructions packages will be provided to departments along with information about due dates in May 2016. In addition, department working/training sessions will be offered to staff to assist in preparing their financial and business plans.

A comprehensive multi-channel public communications plan will be developed to support the budget and to help ensure that Vaughan residents have opportunities to be informed and involved in the budget process.

Purpose

The purpose of this report is to obtain approval of the City's financial planning and business planning guidelines and timetable.

Background - Analysis and Options

Financial Sustainability is a key pillar of Service Excellence

The objective of the City's financial planning process is to develop a multi-year budget that contributes to sustainability by allocating resources to deliver the City's programs and services, achieve the priorities set out in the Term of Council Service Excellence Strategy map, and

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 17, 2016

Item 3, Finance Report No. 6 – Page 3

achieve long-term financial sustainability. The initial step in this process is the approval of the 2017 Budget Guidelines (Attachment 1), which helps set the parameters within which the administration will proceed with developing the upcoming budget.

A new Financial Framework is being developed to meet the fiscal challenges of the City

One of the identified Service Excellence initiatives is the development of an overall sustainable fiscal framework that would also assist in demonstrating value for money for City programs and services. The financial framework will establish fiscal principles, review the current practices, develop new fiscal and budget control policies, and establish long-range financial forecasts to ensure the long term financial viability of the City. This initiative also includes the Development Charges Background Study Update.

The financial framework is one of the ten Service Excellence Initiatives as presented at the April 4th Financial, Administration and Audit Committee. The work to be completed through the Service Excellence initiatives should assist the City to develop plans to optimize existing resources to improve service delivery and achieve Council's tax rate increase target of no greater than three per cent each year until 2018 and help the City keep the tax rate increases manageable over the long term.

The following guidelines that were introduced during the 2016 budget process continue to be in place for the 2017 budget process:

- Cost increases must be absorbed through offsets or efficiencies
- Separate evaluation process for growth-related and new Additional Resource Requests (ARRs)
- Previously submitted ARR's that were not approved must be resubmitted if departments want them considered in this process
- ARR's must be offset (through savings, fees or assessment growth)
- Fees must align with cost recovery policies and a business case / timelines on achievement of cost recovery targets is required if recovery is to be phased in

Savings Targets assigned at the Portfolio/Office level

New for the 2017 budget process, the savings targets have been calculated on a portfolio and office basis. For 2017, the savings target is calculated to be 1 percent, equating to \$1.7 million. This savings target has been allocated to the portfolio's Deputy City Manager's budget or the Office's operating budget. Portfolio and Office department heads will work with their management teams in developing savings proposals that achieve the savings target with minimal impact on services.

Alignment with Business Planning

Business Plans are an important part of the corporate planning process to help establish and reinforce connections between corporate priorities, operational plans and resources. Business plans will continue to align with the multi-year financial planning timeframe in order to align department objectives, measures and pressures. This information is vital to the financial planning process as it sets the stage to assess the departments' requirements and associated resource adequacy. Strategic Planning will support departments to prepare their business plans. A

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 17, 2016

Item 3, Finance Report No. 6 – Page 4

streamlined business planning template will be distributed to departments with the detailed instructions. Budget submissions should demonstrate alignment with department business plans. The 2017 Budget and 2018 Plan will include a summary of each department's key commitments for 2017-2018.

Financial Plan Timetable

This timetable has been developed to target a meeting of Special Council in early December 2016. This budget process is designed to build the department financial plan in a systematic and logical manner. Financial Planning and Development Finance (FP&DF) staff will be actively involved with departments to provide assistance with financial plan development.

<i>City of Vaughan 2017 - 2018 Budget Process Timetable</i>	
Dates	Activity
May 2, 2016	Financial and Business Planning Guidelines
May – October, 2016	Development of Budget by Administration
November 2016	Finance, Administration and Audit Committee Deliberations
December 2016	Special Council Meeting with Public Input (Public notice requirement is 14 days)

Relationship to Term of Council Service Excellence Strategy Map (2014-18)

This report is consistent with the Term of Council Priority to meet Council tax rate targets of no greater than three percent.

One of the identified Service Excellence Strategic Initiatives is the development of an overall sustainable fiscal framework that would also assist in demonstrating value for money for City programs and services. The financial framework will review the current practices, develop new fiscal and budget control policies, and establish long-range financial forecasts to ensure the long term financial viability of the City. This initiative includes the Development Charges Background Study Update.

The financial framework is one of the ten Service Excellence Initiatives as presented at the April 4th Financial, Administration and Audit Committee. The work to be completed through the Service Excellence Strategic Initiatives should assist the City develop plans to optimize existing resources to improve service delivery and achieve Council's tax rate increase target of no greater than three per cent each year.

Regional Implications

N/A

Conclusion

The approach, guidelines and actions recommended represent prudent management practices and are appropriate given Council's direction to limit tax rate increases to three per cent over the remaining term of Council.

Attachments

1 – Financial and Business Planning Guidelines

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 17, 2016

Item 3, Finance Report No. 6 – Page 5

Report prepared by:

Jackie Lee Macchiusi, CPA, CGA
Senior Manager of Corporate Financial Planning & Analysis (x8267)

(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.)

2017 FINANCIAL AND BUSINESS PLANNING GUIDELINES**Recommendation**

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

1. That the Financial Planning and Business Planning Guidelines, summarized in this report be endorsed; and
2. That staff bring the 2017 Budget and 2018 Plan to the November 2016 Finance, Administration and Audit Committee meeting and December 2016 Special Council Meeting with Public Input.

Contribution to Sustainability

The Financial and Business Planning Guidelines align and allocate Vaughan's resources to achieve the City's objectives and priorities, as established in the Term of Council Service Excellence Strategy Map ("Strategy Map"). The Strategy Map enhances the City's ability to focus its resources on the priorities that provide the most value to citizens for this term of Council and for the long term sustainability of the City.

Sustainability by definition focuses on the ability to maintain an activity over an extended time horizon. Financial planning is the process of allocating limited resources to achieve the City's objectives and established priorities. Responsible financial planning allocates resources in a way that balances needs and aspirations of the present without compromising the ability to meet those of the future. The proposed approach seeks to minimize the current year funding pressures, while meeting the requirements of sustainability.

Economic Impact**Tax rate increases set to a maximum of three per cent annually for the next two years.**

At the January 12, 2015 meeting of the Finance, Administration and Audit Committee (Item 5, Report No. 2), the following Committee recommendation was received and subsequently approved at Council:

That recognizing the community's need for fiscal restraint, over the next few months the Finance, Administration and Audit Committee and City staff shall be directed to work toward a set target not to exceed 3% per annum for the period of 4 years

Detailed in the following table are the recognized levy forecasts presented as part of the 2017-2018 plan. This forecast includes the budget reduction targets required for the City to achieve the directed three per cent tax rate increase.

Table 1: 2017-2018 Recognized Plan

\$M	2017	2018
	Recognized Plan	
Gross Operating Expenses	273.4	284.0
Less: Non-Tax Revenue	83.0	83.6
Net Operating	190.4	200.4
Less: Assessment Growth	-5.4	-9.1
Less: Supplemental & PIL	-5.8	-5.8
Less: Efficiency Target	-0.5	-1.2
Net Levy Requirement	178.7	184.3
Incremental Levy	6.1	5.6
Tax Rate Increase	3.00%	3.00%
Total Capital Program	\$144.8	\$67.7

The recognized 2017-18 Plan was developed in alignment with the Strategy Map and included proposed efficiency targets that would enable attainment of Council's tax rate increase target of no greater than three per cent each year. In 2016, departments accomplished \$5.4 million in savings, of which 89% are permanent department savings. These permanent savings have assisted in reducing the required expenditure savings in 2017, but a further \$1.7 million would be required to meet the projected target of three per cent.

Revised Assessment Growth Estimates

Recent growth estimates have been revised downward by the Municipal Property Assessment Corporation (MPAC). As a result, staff have amended the budgeted 2017 assessment growth rate from 2 per cent to 1.2 per cent. Consequently, the savings target required to achieve a maximum target of three per cent has been increased from \$0.5 million to \$1.7 million for 2017 and from \$1.2 million to \$2.1 million in 2018.

Communications Plan

Financial planning and business planning guidelines, preliminary budgets and detailed instructions packages will be provided to departments along with information about due dates in May 2016. In addition, department working/training sessions will be offered to staff to assist in preparing their financial and business plans.

A comprehensive multi-channel public communications plan will be developed to support the budget and to help ensure that Vaughan residents have opportunities to be informed and involved in the budget process.

Purpose

The purpose of this report is to obtain approval of the City's financial planning and business planning guidelines and timetable.

Background - Analysis and Options

Financial Sustainability is a key pillar of Service Excellence

The objective of the City's financial planning process is to develop a multi-year budget that contributes to sustainability by allocating resources to deliver the City's programs and services, achieve the priorities set out in the Term of Council Service Excellence Strategy map, and achieve long-term financial sustainability. The initial step in this process is the approval of the 2017 Budget Guidelines (Attachment 1), which helps set the parameters within which the administration will proceed with developing the upcoming budget.

A new Financial Framework is being developed to meet the fiscal challenges of the City

One of the identified Service Excellence initiatives is the development of an overall sustainable fiscal framework that would also assist in demonstrating value for money for City programs and services. The financial framework will establish fiscal principles, review the current practices, develop new fiscal and budget control policies, and establish long-range financial forecasts to ensure the long term financial viability of the City. This initiative also includes the Development Charges Background Study Update.

The financial framework is one of the ten Service Excellence Initiatives as presented at the April 4th Financial, Administration and Audit Committee. The work to be completed through the Service Excellence initiatives should assist the City to develop plans to optimize existing resources to improve service delivery and achieve Council's tax rate increase target of no greater than three per cent each year until 2018 and help the City keep the tax rate increases manageable over the long term.

The following guidelines that were introduced during the 2016 budget process continue to be in place for the 2017 budget process:

- Cost increases must be absorbed through offsets or efficiencies
- Separate evaluation process for growth-related and new Additional Resource Requests (ARRs)
- Previously submitted ARRs that were not approved must be resubmitted if departments want them considered in this process
- ARRs must be offset (through savings, fees or assessment growth)
- Fees must align with cost recovery policies and a business case / timelines on achievement of cost recovery targets is required if recovery is to be phased in

Savings Targets assigned at the Portfolio/Office level

New for the 2017 budget process, the savings targets have been calculated on a portfolio and office basis. For 2017, the savings target is calculated to be 1 percent, equating to \$1.7 million. This savings target has been allocated to the portfolio's Deputy City Manager's budget or the Office's operating budget. Portfolio and Office department heads will work with their management teams in developing savings proposals that achieve the savings target with minimal impact on services.

Alignment with Business Planning

Business Plans are an important part of the corporate planning process to help establish and reinforce connections between corporate priorities, operational plans and resources. Business plans will continue to align with the multi-year financial planning timeframe in order to align department objectives, measures and pressures. This information is vital to the financial planning process as it sets the stage to assess the departments' requirements and associated resource adequacy. Strategic Planning will support departments to prepare their business plans. A streamlined business planning template will be distributed to departments with the detailed instructions. Budget submissions should demonstrate alignment with department business plans. The 2017 Budget and 2018 Plan will include a summary of each department's key commitments for 2017-2018.

Financial Plan Timetable

This timetable has been developed to target a meeting of Special Council in early December 2016. This budget process is designed to build the department financial plan in a systematic and logical manner. Financial Planning and Development Finance (FP&DF) staff will be actively involved with departments to provide assistance with financial plan development.

City of Vaughan 2017 - 2018 Budget Process Timetable	
Dates	Activity
May 2, 2016	Financial and Business Planning Guidelines
May – October, 2016	Development of Budget by Administration
November 2016	Finance, Administration and Audit Committee Deliberations
December 2016	Special Council Meeting with Public Input (Public notice requirement is 14 days)

Relationship to Term of Council Service Excellence Strategy Map (2014-18)

This report is consistent with the Term of Council Priority to meet Council tax rate targets of no greater than three percent.

One of the identified Service Excellence Strategic Initiatives is the development of an overall sustainable fiscal framework that would also assist in demonstrating value for money for City programs and services. The financial framework will review the current practices, develop new fiscal and budget control policies, and establish long-range financial forecasts to ensure the long term financial viability of the City. This initiative includes the Development Charges Background Study Update.

The financial framework is one of the ten Service Excellence Initiatives as presented at the April 4th Financial, Administration and Audit Committee. The work to be completed through the Service Excellence Strategic Initiatives should assist the City develop plans to optimize existing resources to improve service delivery and achieve Council's tax rate increase target of no greater than three per cent each year.

Regional Implications

N/A

Conclusion

The approach, guidelines and actions recommended represent prudent management practices and are appropriate given Council's direction to limit tax rate increases to three per cent over the remaining term of Council.

Attachments

1 – Financial and Business Planning Guidelines

Report prepared by:

Jackie Lee Macchiusi, CPA, CGA
Senior Manager of Corporate Financial Planning & Analysis (x8267)

Respectfully submitted,

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

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

Leah Zilnik
Director, Transformation and Strategy

2017 FINANCIAL AND BUSINESS PLANNING GUIDELINES

Listed below are some high level concepts that should assist departments in their understanding of the budgeting and business planning principles to be applied when developing their departmental four year budgets (2017-2020). More detailed instructions will be available to further assist departments in the creation of their business plans and budgets.

Departments will continue to develop four year operating budgets and ten year capital plans. Council will be presented with budgets/plans for approval/recognition for the timeframe that aligns with the term of council. The term of council target of not more than three percent is expected to remain substantially the same post-2018. This will be confirmed with the new Council early in 2019.

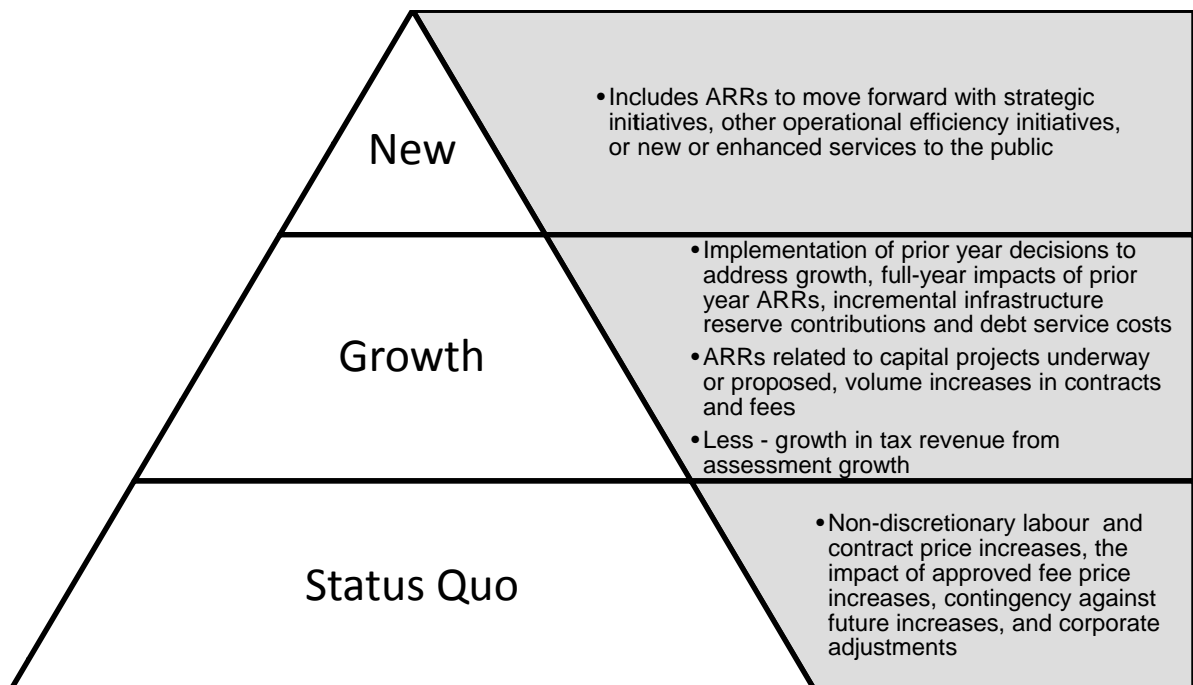
A more detailed Financial and Business Planning Timetable is provided to assist departments allocate time for departments to focus on specific process components.

Conceptual Budget Framework

When considering budget pressures, it is helpful to categorize incremental costs into a Conceptual Budget Framework. This framework can be categorized into three main components:

- Status Quo: pressures related to providing existing levels of service to existing residents, primarily price pressures from pre-determined labour cost increases and material or service contracts.
- Growth-related: pressures representing the operating costs associated with providing existing levels of services to new residents less expected incremental revenue from assessment growth.
- New: pressures representing proposed funding for additional resources to support strategic, transformational or new initiatives.

The illustration below provides a visual representation of this Conceptual Budget Framework:



Applying the Budget Framework

Status Quo

Preliminary department budgets will be set at the forecast from the Approved 2016 Budget and Recognized 2017-18 Plan. The expenditure reduction target of 1 per cent will be budgeted in the Deputy City Manager and Office budgets to be reallocated at the discretion of the Deputy City Managers and Office heads.

As departments work with Financial Planning & Development Finance (FP&DF) staff to develop their budget submissions and savings initiatives they should keep in mind that budget categories may be adjusted to reflect the following items, provided that they are fiscally neutral to the department overall or fully offset by reallocations between departments. Permissible adjustments include those for:

- Council approved employment agreements;
- Full year impact of previous Council decisions;
- External contractually committed price increases;
- Utility price increases;
- Insurance premium increases;
- Defined corporate contingency items;

It is important to note that any changes to the status quo should reflect price increases only. Cost increases resulting from additional volume or growth should be identified separately.

As noted, price increases are expected to be absorbed within overall department budgets through offsets or efficiencies. In rare cases where extraordinary price increases cannot be fully offset, portfolio and office heads may consider inter-departmental reallocations to offset these increases.

User Fees and other non-tax revenue

In addition to tax-supported services, many services provided by the City are fully or partially funded through fees charged to users. Other sources of non-tax revenue include fines and penalties. For many of those revenue sources, Council has set cost recovery targets that departments are expected to be moving towards. In 2016, four user fee reviews have been completed and the resulting recommendations should be incorporated into the 2017-18 Plan.

For the 2017 financial planning process departments that already charge fees or are considering the implementation of new charges, departments are expected to consider the following measures when developing their budget submission:

- Increase fees and other charges in-line with cost increases faced by the City, at a minimum. For 2017 these increases should be three per cent to ensure that there is no erosion of cost recovery ratios.
- Where cost recovery ratios are less than the targets set by Council, submit a business case for how the department could move to the target over the next three years or with a recommendation to change the target.
- Where there is no current cost recovery target, either a business case recommending the creation of a target or a timeline for reviewing the fees and charges to develop a target.
- Ensure that services or cost-sharing opportunities with other municipalities are fully cost-recovered
- Identify and submit business cases for the implementation of new user fees, and service charges opportunities, including recommendations on appropriate cost-recovery targets.

It is important to note that any changes to revenue in the status quo should reflect rate increases only. Revenue increases that are expected from additional volume or growth should be identified separately.

Note: Departments should consult with the Office of the City Solicitor prior to including any new fees to ensure that all regulatory and legislative requirements to implement the proposed user fee are in place. Proposed new user fees that have not been vetted by the City Solicitor should not be included as a part of the department's revenue plan.

Growth

Growth-related costs include non-discretionary and discretionary costs. To help manage budget pressures, growth related budget requests should be limited to:

- Demand driven, contractual volume changes (e.g. additional units of waste collection)
- Increased debt service and infrastructure renewal reserve contributions as a result of new infrastructure assets going into service
- Staff and operating costs for newly opened libraries, fire stations, community centres and other infrastructure, including the full year impacts of previous Council decisions.

All other growth-related additional resource requests (ARRs) will only be recommended to the Committee if there is sufficient assessment growth and growth-related fee revenue available over and above the non-discretionary growth-related costs. These additional growth-related costs may be identified by departments and will be prioritized by City staff if appropriate.

New

The City faces a variety of budget pressures related to citizens' expectations for enhanced services and operational efficiency initiatives. As introduced during the 2016 budget process, non-growth related ARRs may only be submitted if they can be fully offset from expenditure savings or additional non-tax revenue over and above the preliminary budget reduction target. Offsets should be identified within a department wherever possible but may include inter-department offsets within a Portfolio/Office.

In rare cases, where a proposed new expenditure cannot be offset, Deputy City Managers and Office heads may propose the ARR for the Corporate Management Team's (CMT) consideration. Only ARRs that can be accommodated from within the tax rate increase of maximum of three percent will be proposed to Council.

Guidelines for Additional Resource Requests (ARRs)

If departments choose to submit ARRs, a separate business case must be submitted detailing links to the Term of Council Service Excellence Strategy Map, costs, benefits, implications, success indicators, timelines, capital implications and project references, etc. All ARRs, whether growth-related or new will only be included in the budget recommendation to the Committee if the City's budget reduction target has been met. Growth-related and new ARRs will be evaluated through separate staff processes.

ARR business cases must be submitted for new staff requests, proposed increases in service levels, or new or transformational initiatives. Requests are limited to items with a gross cost in excess of \$10,000, and should be fiscally neutral. Offsets should be identified within a department wherever possible but may include inter-department offsets within a Portfolio/ Office.

In rare cases, where a proposed new expenditure cannot be offset, Deputy City Managers and Office heads may propose the ARR for the Corporate Management Team's (CMT) consideration. Only ARRs that can be accommodated from within the tax rate increase of maximum of three percent will be proposed to Council.

Savings Initiatives

A preliminary expenditure savings target of 1 per cent has been incorporated into the 2017 fiscal plan. Deputy City Managers and Office heads are encouraged to work with their management teams to explore all possible savings initiatives with the goal of limiting any impact on the programs and services that the City's residents and businesses rely on. It is encouraged that initiatives identified generate longer term efficiencies that will help to put the City on a sustainable financial path that meets Council's objective to keep tax rate increases in Vaughan at one of the lowest rates in the GTA.

It should be noted that savings targets could be adjusted as the results of fee reviews are incorporated into forecasts. Savings targets could also require adjustment as staff identify and develop specific efficiency and service improvement initiatives or as a result of revised tax revenue forecasts.

Capital Plan Guidelines

The 2017-18 Capital Plan was developed in alignment with the Term of Council Service Excellence Strategy Map. Each capital project has been linked to an initiative under the Term of Council Priorities or Service Excellence Strategic Initiatives. Proposed additions to the capital plan will also need to be aligned to the Term of Council Priorities or Service Excellence Strategic Initiatives. In addition, the pressures of new initiatives, maintaining existing infrastructure and growth requirements will need to be balanced against available funding, the impact on future operating plans and the staff resources to undertake and manage capital projects.

Alignment of Scope and Project Budget

The objective of the guidelines is to build a responsible Capital Plan that is in alignment with the Strategy Map, allocates resources in a way that balances needs and aspirations of the present while meeting the requirements of longer term sustainability.

Departments should review all open and recognized capital projects to ensure the project scope continues to align with the required works to be completed and to ensure that the requested funding is in alignment with what is needed to deliver a completed project. Capital project scopes should be revised to account for any changes to the purpose or requirements of the project. The capital project funding should be amended to account for any costing changes as a result of detailed design completion or project scope amendments. Capital funding requirements should be cash flowed to align funding requirements with the progression of the works completed.

Capital Project Definition:

- A gross cost exceeding \$20,000; and
- For the purpose of constructing, acquiring or improving lands, buildings, engineering services, machinery and equipment or furniture and fixtures. The project must be undertaken for the purpose of providing municipal services, have a lasting benefit beyond one year and/or extend the life of the asset. Projects should incorporate all costs associated with getting the project ready for its intended use (i.e. license costs, survey costs, etc). Expenditures for regular repair or maintenance designed to maintain an asset in its original state are not a capital expenditure; or
- A non-capital expenditure that is related to planning for growth (i.e. planning studies, master plans, etc); or
- A non-capital expenditure that is time-limited or one-time in nature such as a major process improvement initiative that may have a technology component.

Identifying Funding Sources

Proposed capital investments must have an identified funding source. Capital projects may be funded from the following five main sources:

- Development/Special Area Charges Reserves
- Infrastructure Renewal Reserves
- Other Discretionary Reserves
- Grants and Other External funding sources
- Debenture or other financing sources
- Capital from Taxation

Operating Costs Associated with Capital

Incremental operating costs associated with a proposed capital projects, must be identified and be able to be absorbed within the fiscal plan. Growth-related infrastructure should be staged so that related operating costs can be accommodated from assessment growth and user fee volume increases. If the associated operating costs are anticipated to begin in the four year budget period, an ARR is required. If the operating costs are anticipated to begin beyond the four year budget period, these costs should be identified, even if at a high level.

Capital from Taxation

The Capital from Taxation preliminary envelope for 2016 – 18 is consistent with the Recognized 2017-18 Plan but will be subject to change as the budget is refined.

Business Planning

Strategic Planning will support departments to prepare their business plans. A streamlined business planning template will be distributed to departments with the detailed instructions. Budget submissions should demonstrate alignment with department business plans. The 2017 Budget and 2018 Plan will include a summary of each department's key commitments for 2017-2018.

Financial and Business Plan Timetable

This timetable has been developed to target a meeting of Special Council in early December 2016. The submission process will occur in three steps. The overall intent is to layer the submission process and allocate time for departments to focus on specific process components. This in turn will allow adequate time for submission review and feedback. The submission process stages are as follows

1. May thru July – Departments develop business plans with support from Strategic Planning
2. End of July – Validate and submit base plans, including savings initiatives
3. Mid August – submit ARRs, capital requests, and any additional savings initiatives

This process is designed to build the department financial plan in a systematic and logical manner. FP&DF staff will be actively involved with departments to provide assistance with financial plan development.

City of Vaughan
2017 - 2018 Budget Process Timetable

Dates	Activity
May 2, 2016	Financial and Business Planning Guidelines
May 6, 2016	Financial and Business Planning Instructions Issued To Departments
July 29, 2016	Base Financial and Business Plan Submissions
May - July, 2016	Departments develop business plans with support from Strategic Planning
July - August 2016	CMT Updates 2017-18 Financial Plan
August 12, 2016	Final DCM/Office signed Budget Submissions
August 15-26 2016	FP&DF review and analysis
August 15-26 2016	Preparation of DCM/Office City Manager Updates
August 29 – September 16, 2016	City Manager Updates
November 2016	Finance, Administration and Audit Committee Deliberations
December 2016	Special Council Meeting with Public Input (Public notice requirement is 14 days)