

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 20, 2012**

Item 2, Report No. 12, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on November 20, 2012.

**2                                      DRAFT 2013 BUDGET AND 2014-2016 OPERATING PLAN**

**The Finance and Administration Committee recommends:**

- 1)        That the draft 2013 Operating Budget and 2014-2016 Operating Plan as it pertains to the Corporate Contingency budget be received for information and discussion purposes;**
- 2)        That the balance of the draft 2013 Operating Budget and 2014-2016 Operating Plan be received for information and discussion purposes;**
- 3)        That a revised schedule for Additional Resource Requests (ARRs) be provided, indicating the year when the requests first came to an annual operating budget, and identifying requests for contract staffing positions;**
- 4)        That staff provide a report outlining the operating income/losses, contractual obligations and capital outlays for the past three years and the next three years for the following partnerships:**  
  
**City Playhouse;  
Uplands;  
Sports Village; and  
Gallanough Library;**
- 5)        That the presentation by the Commissioner of Finance/City Treasurer and the Director of Budgeting and Financial Planning, and C3, presentation material, dated November 12, 2012, be received; and**
- 6)        That the following report of the Commissioner of Finance/City Treasurer and the Director of Budgeting and Financial Planning, dated November 12, 2012, be received.**

**Recommendation**

The City Manager, the Commissioner of Finance/City Treasurer and the Director of Budgeting and Financial Planning, in consultation with the Senior Management Team recommend:

That the following report on the Draft 2013 Operating Budget and 2014-2016 Operating Plan, including additional resource requests, be received for information and discussion purposes.

*Councillor lafrate declared an interest with respect to the foregoing matter insofar as it relates to contingency funds, as her spouse is an employee of the City of Vaughan, and did not take part in the discussion or vote on the particular matter.*

**Contribution to Sustainability**

Sustainability by definition focuses on the ability to maintain an activity over an extended time horizon. Budgeting is the process of allocating limited resources to achieve the City's objectives and established priorities. Responsible budgeting allocates resources in a way that balances needs and aspirations of the present without compromising the ability to meet those of the future.

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##### ***The Budget Objective***

“To balance the pressures of maintaining existing services and growth requirements against available future City funding/resources necessary to undertake and manage operations and corporate initiatives”

Specific principles included in the Operating Budget Guidelines approved by Council are:

##### ***Managing our future***

1. Resourcing our Vision “Corporate Planning Process”
2. Looking to the future with multi-year budgets
3. Managing operations through business planning

##### ***Managing tax increases***

4. Specific budget policy & guidelines
5. A thorough multi-layer review process

Collectively, these principles have aided in developing realistic and responsible financial plans.

#### **Communication Plan**

##### ***Public consultation is integral to building the budget***

As part of the budget process and integral to building the budget, opportunities for public engagement, consultation and input are available. These opportunities consist of the following:

- ❖ Information posted on the City website
- ❖ Public Finance & Administration Committee/Council meetings
- ❖ A community survey
- ❖ And educational and interactive municipal finance game to generate awareness

Listed below are scheduled Finance and Administration Committee meeting dates.

November 12, 2012	9:30am – 12:00 pm
November 26, 2012	7:00pm – 10:00 pm
December 3, 2012	9:30am – 12:00 pm
December 10, 2012	7:00pm – 10:00 pm
January 14, 2013	7:00pm – 10:00 pm
January 21, 2013	9:30am – 12:00 pm

##### ***Final Opportunity for Community Input / Budget Approval Communication***

In addition to the above section, a Special Council meeting will be scheduled in late January or early February, before budget approval, to provide the public with a final opportunity to comment on the Proposed 2013 Operating Budget and 2014-2016 Operating Plan. This meeting will be advertised in advance, consistent with the City’s public notification by-law.

***Public Notification:*** In the interest of increasing the community’s awareness, these meetings will be advertised on:

- The City’s website
- Through local media partners, social media, etc.
- On City mediums such as TV monitors in City Hall, posters at community facilities, etc

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**Location:** Vaughan City Hall, 2141 Major Mackenzie Dr.

#### Economic Impact

The City's approach to establishing the operating budget is two fold. First, the process begins with Council approving very strict budget guidelines which are issued to departments. The guidelines do not include any "across the board" increases.

Second, a separate justification is required for each resource request not covered under the guidelines. There is a thorough vetting process and only those requests that are supported by management are individually itemized and recommended to the Finance and Administration Committee.

Together, the Base Budget and the Additional Resource Requests (ARR's) form the annual draft operating budget. Further discussion and the impact of each of these components are detailed within this report. Illustrated below are the combined major elements giving rise to the total budget change for both the base budget and the Senior Management Team's Additional Resource Request funding recommendation:

Highlights & Major Budget Elements	2013		2014		2015		2016	
	\$	Rate Incr.	\$	Rate Incr.	\$	Rate Incr.	\$	Rate Incr.
Insurance premiums	500,000	0.34%					410,263	0.23%
Roads program ( <i>Debtenture financed</i> )	1,461,924	0.98%	1,550,000	0.97%	1,500,000	0.89%	1,500,000	0.85%
Infrastructure renewal policy funding	826,361	0.56%	577,088	0.36%	716,630	0.43%	1,292,962	0.74%
Other capital funding requirements	489,000	0.33%						
Tax adjustments ( <i>Reassessment based</i> )	425,000	0.29%	525,000	0.33%	(275,000)	-0.16%	(175,000)	-0.10%
Carrville CC ( <i>contracts, utilities, etc.</i> )							1,450,000	0.82%
Other net City obligations ( <i>workforce, contracts, etc.</i> )	276,529	0.19%	1,270,806	0.79%	701,698	0.42%	1,211,735	0.69%
<i>Additional Resource Requests</i>								
- Community safety (Fire)	1,773,036	1.19%	782,364	0.49%	1,793,138	1.06%	799,825	0.45%
- Community & library services	362,291	0.24%	786,729	0.49%	2,900,245	1.72%	1,713,691	0.97%
- City building initiatives	179,411	0.12%	562,830	0.35%	543,544	0.32%	90,381	0.05%
- Operational requirements	533,583	0.36%	1,393,510	0.91%	295,104	0.24%	1,012,233	0.61%
<b>Total Budget Change</b>	<b>6,827,135</b>	<b>4.60%</b>	<b>7,448,327</b>	<b>4.70%</b>	<b>8,175,359</b>	<b>4.91%</b>	<b>9,306,090</b>	<b>5.33%</b>
Average Residential Tax bill	\$64		\$69		\$76		\$86	

Local Hospital Levy - The City has taken steps to bring a much needed hospital and other health care resources to Vaughan. The Government of Ontario requires local communities to support the development of a hospital through a local financial contribution. It should be noted the financial support and plan for the Vaughan Hospital was approved on June 15<sup>th</sup>, 2009 and subsequently revised on April 5<sup>th</sup>, 2011 detailing a phased-in approach ending in 2013. The approved 2013 residential property tax increases associated with the separate Hospital Capital Levy is approximately \$11 or 0.91% for the average home, which is in addition to the tax rate increase illustrated above to support the City's operations.

#### Purpose

The purpose of this report is to provide the Finance & Administration Committee with information and details regarding the Draft 2013 Operating Budget and 2014-2016 Operating Plan and corresponding tax adjustments on an average Vaughan household. This is the first of a series of budget reports that build the City's budget. The operating budget report sets the tone of the process and is complimented by subsequent reports on capital, user fees and a variety of Committee/Council requested reports.

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

##### **Executive Summary**

#### **Financial Sustainability Always a Key Priority**

As a result of the City's long standing dedication to financial management through progressive best practices and prudent policies, the City is in a very strong financial position. The City has always considered increasing taxes as a last resort. Through prudent policies, tight budget guidelines and strong leadership, the City has provided residents tremendous value by offering some of the lowest property tax rates in York Region and the Greater Toronto Area, while providing high quality services to the community.

As the City moves forward, financial sustainability must continue as one of Vaughan's key priorities. Over the next decade, the City of Vaughan is expected to undergo a tremendous transformation fueled by sustained high growth rates, provincially driven intensification, increasing legislative requirements, mounting infrastructure renewal costs, and a number of vision based master plans reflecting important community needs. As the City becomes increasingly more sophisticated, it will also face increasing financial pressure beyond the many factors currently placing strain on the property tax rate and reserve balances to maintain existing service levels. These pressures are permanent and often require continuous funding solutions, typically taxation.

Building on last year's efforts, the Corporate Planning Process continues to integrate strategic planning and financial planning processes. The primary benefits of this step are numerous:

- ✓ Ensures an achievable and resourced strategic plan
- ✓ Ensures resource allocation is guided by the City's vision and strategic themes
- ✓ Better communicates the City's direction and focus

On April 17<sup>th</sup>, 2012, Council reviewed the priority themes and initiatives and validated the direction set in 2011 as a number of priority strategic initiatives were not fully implemented and it was important to maintain a focus before adding new priority initiatives to the list. The priority themes and initiatives for this year's budget process are:

- Develop a plan to build a dynamic Vaughan Metropolitan Centre (VMC)
- Develop and implement a corporate-wide asset management system
- Further evolve performance indicators
- Undertake a program review
- Additional operational/business reviews

The City of Vaughan is becoming increasingly more sophisticated with each passing year and there is a need to broaden the budget horizon and unveil the future. This action provides decision makers with added foresight and the ability to proactively grasp future opportunities, address future challenges and reduce blind spots by understanding the longer-term financial implications of present and past decisions. This is a very strategic approach intended to generate discussion on where the City's future resources should be focused to best support the City's vision, operationalize strategies, generate public value and address pertinent challenges. It is also a critical component of the corporate planning process discussed in the last section. For this year's process, the City will develop a 4 year operating and complementary 4 year capital plan. However, it should be recognized that assumptions, estimates and uncertainties are commonplace when predicting future budgets and these factors may change as new information becomes available. For this reason, it is suggested that Council only approve the current year budget and recognize future budget forecasts.

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#### ***Economic Outlook – At a Cross Roads***

Based on TD Economics - Sept. 18<sup>th</sup> Quarterly Economic Forecast.

“Canada’s economy appears to be at a crossroads. After ramping up spending during the recession and recovery, fatigued households and deficit-laden governments have recently been shifting their attention to restraint. While exports and business investment had appeared poised to do more heavy lifting this year, this transition has been delayed by ongoing global uncertainty, an elevated exchange rate and softening commodity markets. With no engine firing on all cylinders, economic growth is being held to a meek sub-2% rate and the jobless rate is stuck above 7%. By early 2013, we suspect that global headwinds will have dissipated enough to spur stronger Canadian exports and entice cash-flush businesses to loosen their purse strings – pulling real GDP growth back above 2% and pushing the jobless rate down modestly. This shift to more balanced growth will be a major step forward in ensuring sustainable economic growth in Canada (TD Economics)

The above information is relatively global and is intended to provide a general economic context, which may change over time and may not reflect Vaughan’s micro economic situation.

#### ***Budget Approach***

The City’s approach to the annual operating budget is to first develop the Base Budget through the issuance of very strict budget guidelines. Under the guidelines, departments are only permitted to include very specific adjustments in their Base Budget, which are typically related to predetermined agreements, contracts or Council approved increase. The guidelines do not include “across the board” increases for inflation or increases for new staffing.

To the extent that a department requires additional resources, a separate business case must be submitted for consideration. These are referred to as Additional Resource Requests (ARR) and are individually vetted through the Directors Working Group, Senior Management Team, the Finance and Administration Committee and finally Council.

The objective of separating the process into the base budget and additional resource requests is to identify the minimum resources based on agreements etc. and review all other requests on an individual basis. Further details with respect to the guidelines, principles or the actions are provided in Section 7 of the Attachment - Comprehensive Budget Review & Guidelines.

Base Budget and Additional Resource Request Highlights are provided below:

#### **Base Budget**

The impact of the Base Operating Plan, derived from Council’s approved guidelines is as follows:

	2013	2014	2015	2016
Net Taxation Change	\$3.98m	\$3.92m	\$2.64m	\$5.69m
Avg. Residential Tax Rate Change	2.68%	2.45%	1.57%	3.24%
Avg. Residential Tax Bill Change	\$37.33	\$35.73	\$23.92	\$49.04

The above changes are largely driven by staff agreements, contractual obligations, utility needs, and capital funding requirements. Although there are many components to the City’s base budget, the

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base budget would be much lower. Technically, in the absence of these adjustments, there would be a decrease in the base budget. These items and their affect on the base budget are illustrated in the following table.

Highlights & Major Budget Elements	2013		2014		2015		2016	
	\$	Rate Incr.	\$	Rate Incr.	\$	Rate Incr.	\$	Rate Incr.
<b>Base Budget Change</b>	3,978,814	2.68%	3,922,894	2.46%	2,643,328	1.57%	5,689,960	3.24%
<b>Less: Major Expenditure Increases</b>								
Insurance premiums	500,000	0.34%		0.00%		0.00%	410,263	0.23%
Roads Program Ltd	1,461,924	0.98%	1,550,000	0.97%	1,500,000	0.89%	1,500,000	0.85%
Infrastructure renewal policy funding	826,361	0.56%	577,088	0.36%	716,630	0.43%	1,292,962	0.74%
Other Capital funding requirements	489,000	0.33%	-	0.00%	-	0.00%	-	0.00%
Reassessment - Tax Adjustments	425,000	0.29%	525,000	0.33%	(275,000)	-0.16%	(175,000)	-0.10%
Carrville CC (contracts, utilities, etc.)							1,450,000	0.82%
<b>Subtotal</b>	<b>3,702,285</b>	<b>2.49%</b>	<b>2,652,088</b>	<b>1.66%</b>	<b>1,941,630</b>	<b>1.15%</b>	<b>4,478,225</b>	<b>2.55%</b>
<b>Total Budget Change</b>	<b>276,529</b>	<b>0.19%</b>	<b>1,270,806</b>	<b>0.79%</b>	<b>701,698</b>	<b>0.42%</b>	<b>1,211,735</b>	<b>0.69%</b>

It should also be noted, assessment growth is well under historical levels, due to the Province's Municipal Property Assessment Corporation (MPAC) focus on reassessment activities, resulting in lower assessment growth figures across the GTA. The City has taken a proactive mitigation approach by adjusting supplemental taxation. However, there is still a 2013 forecasted net reduction in the order of \$1.1m, which will hopefully be recovered in future years.

#### **Additional Resource Requests (ARR's)**

As previously noted Additional Resource Requests are not permitted under the base operating budget guidelines and are submitted and assessed on their respective merits. Initially, there were 126 requests totalling a combined \$18.7m, all of which are valued. Reducing this balance was very difficult for decision makers, who were frequently faced with the dilemma of choosing between "building a progressive city" and "keeping tax rates low". The Senior Management Team's funding recommendation is a blend of both ideals driven by the following:

- *Community safety* - Fire operations & emergency planning
- *Community and library services-* Civic Centre Resource Library, Avondale North Maple Park, ongoing forestry, parks, facility maintenance, etc.
- *City building initiatives* – Vaughan Metropolitan Centre, zoning by-law review, business development, strategic planning initiatives, pubic engagement, performance measurement, environment action plans, etc.
- *Operational requirements to continue other City services* –Planning, engineering, and other operational requests, etc.

Senior Management and the Directors Working Group spent a significant amount of time reviewing and optimizing the requests, which resulted in a number of requests being partially funded internally (over \$2.5m), some redistributed within the planned years and \$3.9m deferred beyond the 4 year plan without guarantee. In many situations the result is not optimal, potentially compromising service levels, but necessary to minimize tax pressures on the community. The above situation further supports the need to begin planning resources beyond a single year in order to address future

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opportunities and challenges. A high-level summary of the additional resource request recommendations are provided in a later section. More specific details are provided in the Attachment, specifically Section 5 - Additional Resource Requests and Section 8 Department Information. The result of the Senior Management Team's funding recommendation is as follows:

	2013	2014	2015	2016
Net Taxation Change	\$2.8m	\$3.52m	\$5.53m	\$3.62m
Avg. Residential Tax Rate Change	1.92%	2.25%	3.34%	2.09%
Avg. Residential Tax Bill Change	\$26.74	\$32.78	\$50.94	\$33.44

#### **Combined Base Budget and Additional Resource Requests**

The combined impact of the base budget and the additional resource requests is illustrated below:

	2013	2014	2015	2016
Net Taxation Change	\$6.83m	\$7.45m	\$8.17m	\$9.31m
Avg. Residential Tax Rate Change	4.60%	4.70%	4.91%	5.33%
Avg. Residential Tax Bill Change	\$64	\$69	\$76	\$86

**Please note:** the sum of 2014 to 2016 base + ARR figures will not total to the above combined results. This is due to the exclusion of the ARR impacts on the levy in the base budget calculation.

## **BUDGET UPDATES**

The budgeting process is constantly evolving to the needs and requirements of departments, management, Council and residents. Detailed within this section are brief highlights to be aware of:

#### **New Information**

The Draft 2013 Operating Budget and 2014-2016 Operating Plan is based on information at a point in time and new information may become available through deputations, staff items or Committee/Council decisions, as the budget process unfolds; for example, changes to the capital budget and associated operating budget implications. Adjustments will be consolidated into a final proposed operating budget and presented to the Community and Council at a public input session at the end of the process.

#### **2013 Re-Assessment Year**

The Municipal Property Assessment Corporation (MPAC), a not-for-profit corporation funded by all Ontario municipalities, will complete a re-assessment program for Ontario properties, effectively starting the 2013 tax year. It is important to note that this process is revenue neutral for Vaughan and it does not provide the City with any additional revenue. Increases in assessment values will be phased in over 4 years and the properties that increase in line with the municipal average will not experience an assessment related increase. Should homeowners disagree with the new assessment value provided, MPAC offers a process for assessment reconsideration and failing that, residents can appeal MPAC decisions to the Assessment Review Board. More information on this process can be found at [www.mpac.ca](http://www.mpac.ca).

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##### Insurance Expense

On April 17<sup>th</sup>, 2012 Council adopted a change in insurance practice by moving from traditional insurance premiums to a reciprocal membership arrangement with OMEX. Although premium savings are evident, retroactive assessments are a factor of this arrangement and introduce a need for reserves to mitigate future retroactive assessment costs. Although there is a planned neutral impact, a reallocation of the insurance premium budget is required along with reporting adjustments. A report regarding insurance activity, experience and reserve levels will be provided on an annual basis beginning in early 2013, which will assist in the following year's budget process.

##### Amortization vs. Budget Contributions

The City's Draft 2013 Operating Budget and 2014-2016 Operating Plan is developed excluding full amortization and post employment benefits. The costs and associated tax implications of budgeting for full amortization are significant. The main reasons for the funding differences are:

1. The majority of the City's assets are funded by the development industry, leaving the City to fund renewal costs at a much later date, primarily through taxation.
2. There is a surge in future post employment benefits caused by staffing requirements to service growth, who are eligible for post retirement benefits after 5 years of service.

Ontario Regulation 284/09 – "Budget Matters – Expenses" states that municipalities may exclude from annual budgets all or a portion of expenses for amortization, post-employment benefit expenses and solid waste landfill closure and post-closure expenses, but does require Council be informed of the above action including the estimated change in the year-end accumulated surplus and estimated impact of the excluded expenses on the municipal funding requirements. It is important to note these expenses are recognized and reflected in the City's annual financial statements, but they are not fully funded through the City's budget and tax levy.

##### Impact of Excluded Expenses/Estimated Change in Accumulated Surplus

<b><i>Funding vs. Amortization</i></b> <b><i>(In Millions)</i></b>	<b><i>2013 Budget</i></b> <b><i>Funding</i></b>	<b><i>2012</i></b> <b><i>Amortization</i></b>	<b><i>Gap</i></b>
<b><i>City Asset Renewal</i></b>	21.5	43.7	22.2
<b><i>City Post Employment Benefits</i></b>	1.1	11.1	10.0
<b><i>Combined</i></b>	<b><i>22.6</i></b>	<b><i>54.8</i></b>	<b><i>32.2</i></b>

- Excludes Water and Waste Water (Separate Process)
- Reporting on solid waste landfill closure and post-closure expenses is not applicable in Vaughan

As reported in many journals and articles, the above situation is consistent for most Canadian municipalities. Due to sound financial planning, Vaughan is in a strong financial position and ahead of most municipalities. To begin to address the forecasted capital asset renewal funding gap, the City has implemented several initiatives. For example, policies which limit the use of cash accumulated in reserve funds, policies regarding the transfer of annual operating surpluses to reserves and the recent adoption of life cycle based contributions for new assets. City staff continue to work on the infrastructure replacement challenge and have recently brought forward a Financial Master Plan, which includes an infrastructure financing strategy, which will continue to be discussed at future Finance and Administration Committee meetings.



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### Quick Facts

The following information is provided for quick reference to assist in providing the public and Council members with a context within which to assess the Draft 2013 Operating Budget and 2014-2016 Operating Plan.

<u><b>Budget ( Base + ARRs)</b></u>	<b>2012</b>	<b>(Projected)</b>			
		<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Average residential assessment	\$ 485,122	\$ 517,000	\$ 551,000	\$ 587,000	\$ 626,000
Total taxes levied on the average assessed home					
***	4,551	4,615	4,684	4,759	4,759
City of Vaughan portion (26-27%)	1,232	1,296	1,365	1,440	1,440
City of Vaughan tax adjustment % on total taxes		1.4%	1.5%	1.6%	1.6%
Hospital Capital Levy on the avg. home	49	60	60	60	60
Reduction for qualifying seniors	313	328	343	359	377
A 1% increase in the tax rate generates	\$1.4m	\$1.484m	\$1.599m	\$1.684m	\$1.759m
Impact of a 1% increase on the average home	\$ 11.78	\$ 13.93	\$ 14.57	\$ 15.25	\$ 16.00
Assessment growth (projected)	3.10%	1.50%	3.00%	2.80%	2.80%
Tax Rate Increase		4.60%	4.70%	4.91%	5.33%

### **Draft 2013 Operating Budget and 2014-2016 Operating Plan Review**

The City of Vaughan continues to be subjected to many factors that place pressures on the property tax rate. Inherent in the annual operating budget process are the normal pressures of inflation, growth, staffing resources, external contract costs, collective agreements, fluctuating revenues etc. which are further compounded by expanding service requirements and tax funded infrastructure renewal cost impacts experienced by a high growth municipality. This situation presents challenges to achieving a balanced budget and maintaining service levels while minimizing associated tax rate increases and achieving Council's priorities. To assist the public and Council Members with understanding the challenges facing the City, and to assess the Draft 2013 Operating Budget and 2014-2016 Operating Plan, the remainder of the report is dedicated to reviewing the following budget components:

- A. *Base budget under the guidelines*
- B. *Base budget revenue review*
- C. *Base budget expenditure review*
- D. *Additional resource requests*

*The Attachment: Sections*

- 1. *Base Budget - Revenue & Expenditure Summary*
- 2. *Base Budget – Major Budget Change Summary*
- 3. *Base Budget – Full-Time Equivalents (FTE) Summary*
- 4. *Base Budget – Analysis & Other Information*
- 5. *Additional Resource Request*
- 6. *Business Plan Performance Measures*

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7. *Corporate Budget Guidelines*
8. *Department Information*
  - o *Financial Summaries*
  - o *Business Plans*
  - o *Recommended ARRs*

#### **A. Base Budget Under the Guidelines**

Based on the budget guidelines, the City's Draft 2013 Operating Budget and 2014-2016 Operating Plan and associated increases are reflected below:

	2013	2014	2015	2016
City's Expense Budget	\$237m	\$247m	\$254m	\$263m
Net Taxation Change	\$3.98m	\$3.92m	\$2.64m	\$5.69m
Avg. Residential Tax Rate Change	2.68%	2.45%	1.57%	3.24%

The above Draft 2013 Operating Budget and 2014-2016 Operating Plan includes \$2.8m subsidization from the Tax Rate Stabilization Reserve and anticipates a \$2.5m surplus carried forward from previous years. This is consistent with prior year Council direction. The above also includes user fee increases, which will be the subject of a report at a later date. However, the base budget figures **exclude any** budget changes associated with the recommended additional resource requests. These are discussed later in the report.

The budget guidelines were designed to restrict expenditure increases and this process has been successful as demonstrated by the 1.8% average departmental annual expense increase over the four year plan. Incorporating corporate pressures raises the total average expense increase over the plan to 3.95%. Specific annual increases are illustrated in section 1 of the attachment - *Base Budget - Revenue & Expenditure Summary*.

In general, account budgets remained at prior year budget levels with the exception of established commitments and pre-defined external pressures as defined by the approved budget guidelines. In order to check adherence to the guidelines, budget submissions were verified to ensure increases were consistent with budgetary guidelines. Through budget submission reviews and assurances from Commissioners and Directors, there is a very high level of confidence that approved guidelines were followed.

#### ***Considering Factors Other Than CPI When Assessing the Budget***

When assessing the Operating Budget, it is very important to put municipal cost increases into perspective. It is very common for stakeholders to gauge a municipality's performance against the Consumer's Price Index (CPI), but there are 2 inherent pitfalls with this comparison:

1. Inflation rates capture cost increases and do not incorporate non-cost related factors associated with a municipality such as growth, infrastructure repair, new services or initiatives, legislative requirements, revenue fluctuations, etc. These are in addition to CPI.

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2. CPI is intended to measure the cost increases experienced by the typical Canadian household and includes retail items such as food, clothing, entertainment and other household purchases. Unlike an average Canadian household, municipal expenses are very labour, contract, and material intensive. An alternative approach would be to use a **Municipal Price Index (MPI)** based on applying relevant indices/indicators to the weighting of major expense categories.

Component	Inflation Figure	Source	Scenario #1		Scenario #2	
			% of Budget	Weighted Average	% of Budget	Weighted Average
Salaries and Benefits	3.0% 1.7%	CoV settlement agreements Ministry of Labour	57.5%	1.7%	57.5%	1.0%
Labour Sub total				1.7%		1.0%
Contracts and Materials	5.1%	5 yr Average Historical Increase	15.5%	0.8%	15.5%	0.8%
Utilities and Fuel	0.8%	Stat's Can. Aug, 2012 - Energy CPI	3.8%	0.0%	3.8%	0.0%
All Other	1.3%	Core Inflation - Sept. 2012	18.2%	0.2%	18.2%	0.2%
Other Sub total				1.1%		1.1%
Capital Funding	3.2%	Construction Price Index	3.0%	0.1%	3.0%	0.1%
Insurance	5.0%	AMO - 2011 municipapl white paper	2.0%	0.1%	2.0%	0.1%
Corporate Sub total				0.2%		0.2%
<b>Combined Municipal Price Index</b>				<b>3.0%</b>		<b>2.2%</b>

The City's base budget expenditures are increasing by 4.8% in 2013, 4.5% in 2014, 2.8% in 2015 and 3.6% in 2016. Although comparable to the MPI, embedded in these figures are non-price related increases associated with contract/utility growth, increases in infrastructure funding, etc. Removing these items from the presented overall expenditure would yield increases of 2.9% for 2013, 2.4% for 2014, 2.3% for 2015 and 1.8% for 2016. Total City expenditure increases are all within the municipal price index range clearly signalling Vaughan is managing its finances and exceeding industry ranges.

#### **Major Base Budget & Tax Rate Change**

Approximately 50% of the City's expense increase is attributable to changes to support the City's workforce, including collective and management agreement requirements. An additional quarter of the increase is related to external service contracts, insurance and utilities (e.g. increases in snow removal, waste management, electricity, insurance premiums, etc.). These services are generally contracted, competitively tendered and awarded to the lowest bidder. The remaining portion is largely a result of the City's growing capital program and infrastructure requirements.

To assist the Committee in assessing the Draft 2013 Operating Budget and 2014-2016 Operating Plan resulting from the budget guidelines, the following summary is provided below:

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	2013		2014		2015		2016	
	Tax Rate		Tax Rate %		Tax Rate %		Tax Rate %	
<b>Expenses</b>	<b>\$ Change</b>	<b>% Change</b>	<b>\$ Change</b>	<b>Change</b>	<b>\$ Change</b>	<b>Change</b>	<b>\$ Change</b>	<b>Change</b>
Benefits & Other adj	1,744,000	1.17%	657,128	0.42%	869,036	0.53%	331,236	0.20%
Progression/Job Eval/Adj	700,000	0.47%	837,372	0.53%	452,564	0.27%	271,764	0.16%
Eco adj (Union & Mgmt)	360,000	0.24%	-	0.00%	-	0.00%	-	0.00%
Fire (Progression/Retention)	270,000	0.18%	264,000	0.17%	144,000	0.09%	41,000	0.02%
FT Contract reductions		0.00%	(361,500)	-0.23%	(396,600)	-0.24%	-	0.00%
<b>Subtotal</b>	<b>3,074,000</b>	<b>2.07%</b>	<b>1,397,000</b>	<b>0.89%</b>	<b>1,069,000</b>	<b>0.65%</b>	<b>644,000</b>	<b>0.39%</b>
Contingency	2,612,000	1.76%	3,349,000	2.13%	3,464,000	2.09%	3,569,000	2.16%
<b>Subtotal</b>	<b>5,686,000</b>	<b>3.83%</b>	<b>4,746,000</b>	<b>3.02%</b>	<b>4,533,000</b>	<b>2.74%</b>	<b>4,213,000</b>	<b>2.55%</b>
Contracts	1,110,823	0.75%	865,464	0.55%	1,074,649	0.65%	1,096,361	0.66%
Insurance	500,000	0.34%	-	0.00%	-	0.00%	410,263	0.25%
Utilities (excl. Carrville C.C.)	238,000	0.16%	405,700	0.26%	440,400	0.27%	471,528	0.29%
Recreation (excl. PT labour)	442,700	0.30%	269,285	0.17%	149,676	0.09%	104,631	0.06%
Carrville C.C. (B&F)	-	0.00%	-	0.00%	-	0.00%	1,445,500	0.87%
<b>Subtotal</b>	<b>2,291,523</b>	<b>1.54%</b>	<b>1,540,449</b>	<b>0.98%</b>	<b>1,664,725</b>	<b>1.01%</b>	<b>3,528,283</b>	<b>2.13%</b>
LTD net	1,461,924	0.98%	1,550,000	0.99%	1,500,000	0.91%	1,500,000	0.91%
Reserve Contributions	686,000	0.46%	577,000	0.37%	716,629	0.43%	1,292,961	0.78%
Capital from Taxation	489,472	0.33%	-	0.00%	-	0.00%	-	0.00%
<b>Subtotal</b>	<b>2,637,396</b>	<b>1.78%</b>	<b>2,127,000</b>	<b>1.35%</b>	<b>2,216,629</b>	<b>1.34%</b>	<b>2,792,961</b>	<b>1.69%</b>
Tax Adjustments	425,000	0.29%	525,000		(275,000)	-0.17%	(175,000)	-0.11%
Other	(396,254)	-0.27%	69,588	0.04%	(79,315)	-0.05%	211,086	0.13%
<b>Total Expense Change</b>	<b>10,643,665</b>	<b>7.17%</b>	<b>9,008,037</b>	<b>5.74%</b>	<b>8,060,039</b>	<b>5.75%</b>	<b>10,570,330</b>	<b>7.54%</b>

The above changes in the City's expenditures are partially offset by limited revenue streams, primarily user fees, reserve funding, assessment growth and other sources. Any shortfall between City revenues and expenses are funded through taxation increases. Summarized below are the major changes in revenue streams and associated net change on taxation.

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	2013		2014		2015		2016	
	Tax Rate		Tax Rate %		Tax Rate %		Tax Rate %	
	\$ Change	% Change	\$ Change	Change	\$ Change	Change	\$ Change	Change
<b>Revenues</b>								
<b>Decrease in Revenues</b>								
Investment Income	(250,000)	-0.17%	(250,000)	-0.16%	(250,000)	-0.15%	(250,000)	-0.15%
Fleet Management Reserve	(121,373)	-0.08%	(121,374)	-0.08%	-	0.00%	-	0.00%
<b>Sub total</b>	<b>(371,373)</b>	<b>0.07%</b>	<b>(371,374)</b>	<b>-0.24%</b>	<b>(250,000)</b>	<b>-0.15%</b>	<b>(250,000)</b>	<b>-0.15%</b>
<b>Increase in Revenues</b>								
Supplemental	1,500,000	1.01%	(1,500,000)	-0.96%	-	0.00%	-	0.00%
Recreation	904,000	0.61%	339,000	0.22%	349,000	0.21%	359,000	0.22%
Water & Wastewater Recovery	723,790	0.49%	41,000	0.03%	42,000	0.03%	57,900	0.04%
Bldg. Standards Continuity Res.	559,000	0.38%	(82,000)	-0.05%	48,000	0.03%	(149,000)	-0.09%
Engineering Reserve	254,000	0.17%	100,000	0.06%	(100,000)	-0.06%	-	0.00%
Building Standards User Fees	42,500	0.03%	170,152	0.11%	165,354	0.10%	179,590	0.11%
User Fees & Service Charges	486,235	0.33%	236,597	0.15%	84,479	0.05%	184,381	0.11%
Development Planning User Fees	214,000	0.14%	484,000	0.31%	111,000	0.07%	160,000	0.10%
Fines & Penalties	100,000	0.07%	100,000	0.06%	-	0.00%	-	0.00%
Hydro Dividends	-	0.00%	1,150,000	0.73%	375,000	0.23%	(375,000)	-0.23%
Other	59,059	0.04%	(190,449)	-0.12%	36,538	0.02%	(86,878)	-0.05%
<b>Sub total</b>	<b>4,842,584</b>	<b>3.26%</b>	<b>848,300</b>	<b>0.54%</b>	<b>1,111,371</b>	<b>0.67%</b>	<b>329,993</b>	<b>0.20%</b>
<b>Sub-total Revenue Change</b>	<b>4,471,211</b>	<b>3.01%</b>	<b>476,926</b>	<b>0.32%</b>	<b>861,371</b>	<b>0.58%</b>	<b>79,993</b>	<b>0.05%</b>
Assessment growth	2,193,640	1.48%	4,608,217	2.94%	4,555,340	2.75%	4,800,377	2.90%
<b>Total Revenue Change</b>	<b>6,664,851</b>	<b>4.49%</b>	<b>5,085,143</b>	<b>3.24%</b>	<b>5,416,711</b>	<b>3.27%</b>	<b>4,880,370</b>	<b>2.95%</b>
<b>Net Funding Requirement</b>	<b>3,978,814</b>	<b>2.68%</b>	<b>3,922,894</b>	<b>2.45%</b>	<b>2,643,328</b>	<b>1.57%</b>	<b>5,689,960</b>	<b>3.24%</b>
<b>1% tax increase</b>	<b>1,484,363</b>		<b>1,569,875</b>		<b>1,654,159</b>		<b>1,727,649</b>	

Note: Total Revenue Change amounts do not match previous reports as reserve transfers for long term debt, insurance and elections were netted out.

*A more detailed schedule is provided in the attachment under Section 2 – Base Budget Major Budget Change Summary*

### **B. Base Budget Revenue Review**

	2013		2014		2015		2016	
	Budget	Change	Budget	Change	Budget	Change	Budget	Change
Base Budget Revenues	\$ 81,868,559	\$ 4,837,983	\$ 83,936,409	\$ 2,067,850	\$ 83,593,901	\$ (342,508)	\$ 82,269,090	\$ (1,324,811)

The above figures exclude any impact associated with assessment growth. Further information regarding specific revenue adjustments are provided below:

#### Supplemental Taxation

	2013		2014		2015		2016	
	Budget	Change	Budget	Change	Budget	Change	Budget	Change
Supplementals	\$ 5,500,000	\$ 1,500,000	\$ 4,000,000	\$ (1,500,000)	\$ 4,000,000	\$ -	\$ 4,000,000	\$ -

Supplemental taxation is generated from additional assessment forwarded to the City from Municipal Property Assessment Corporation (MPAC) over the course of the year, and is primarily a result of new construction. It should also be noted, that assessment growth is well under historical levels, due to the MPAC's focus on reassessment activities, resulting in lower assessment growth figures across the GTA. The City has taken a proactive mitigation approach by adjusting supplemental taxation up by \$1.5M to partially cover the shortfall. As reflected in 2014, supplemental taxation is expected to decrease by \$1.5M as assessment processing is caught up and assessment growth figure return to

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recent trends. Given the current uncertain economic climate and MPAC's inconsistency in processing assessment, Committee/Council is cautioned of the risk that the City's mitigation plan is dependant MPAC's processing performance.

#### Funding from Reserves:

	2013		2014		2015		2016	
	Budget	Change	Budget	Change	Budget	Change	Budget	Change
Funding from Reserves	\$ 18,252,638	\$ 1,799,948	\$ 19,584,204	\$ 1,331,566	\$ 18,380,477	\$ (1,203,727)	\$ 16,794,849	\$ (1,585,628)

#### 2013 increase of \$1.8M:

- The Water & Wastewater recovery increased by \$724K to reflect activities between the City and Water/Waste Water services. Most of this increase was a result of the insurance allocation process changed in 2012.
- Debenture payment reserve withdrawals increased by \$597K to smooth increases in previously approved debenture payments.
- There is also a \$559K increase in the Building Standards reserve, to neutralized the Building Standards full costing gap, as per policy.
- Engineering reserve increased by \$272K to reflect associated expense increases.
- The Election reserve increased by \$270K to cover tabulator leases and other operating expenses reflected in Council Item January 31, 2012. There is no impact on the budget as there is an associated increase in expenses.
- The above increases were offset by the following phasing plans:
  - Insurance policy reserve funding final year of phasing plan, \$500K
  - Fleet management reserve funding 2014 phasing plan, \$121K.

#### Changes from 2014 to 2016:

- The largest component of future budget increases are related to additional funding from the debenture reserve to smooth increases in debenture payments. Budget withdrawals are planned to peak in 2014 then decline as debentures stabilize. The overall net impact on the budget is \$1.5m per year.
- An election is scheduled for 2014; as a result associated expenses are planned which are neutralized by corresponding reserve withdrawals \$269k in 2013, \$755K in 2014. In 2015, the withdrawal is removed. It is anticipated, that a report on the election process will be coming forward later in the budget process.
- In 2014, a decrease in funding from the Fleet Management reserve of \$121K to complete the phasing plan.
- In 2014, a decrease of \$112K in funding from DC Management Studies, as additional contracted resources to support the Official Plan will no longer be required.

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- Budget changes in Engineering, Building Standards and Water/WasteWater recoveries services were a result of activity, departmental cost changes and anticipated growth trends. The total adjustments amounted to \$10K in 2014, \$50K in 2015 and \$86K in 2016.

#### User Fees / Service Charges

	2013		2014		2015		2016	
	Budget	Change	Budget	Change	Budget	Change	Budget	Change
Fees/Charges/Recoveries	\$ 37,810,343	\$ 1,604,235	\$ 39,040,092	\$ 1,229,749	\$ 39,749,925	\$ 709,833	\$ 40,632,896	\$ 882,971

#### Major Budget Adjustments

- The largest component of the budget increases are in the Recreation Department due to the climbing demand for services, general price increases and York Region transit ticket sales. It should be noted that these increases are largely offset by similar expenditure value increases. Revenue increases related to recreation are \$904K for 2013, \$339K in 2014, \$349K in 2015 and \$359K in 2016.
- The second largest component of the budget increases are related to an anticipated increase in planning activity. The majority of the 2013 increase is related to site plan agreements, which have been adjusted to better reflect past performance. In addition, development activity is anticipated within the Vaughan Metropolitan Centre, Carville, Concord and Thornhill development areas. Based on the above, planning revenues are anticipated to increase \$214K for 2013, \$484K in 2014, \$111K in 2015 and \$160K in 2016.
- Enforcement revenues also increased to reflect general price and volume estimates. The 2013 budget increase is larger than future years to reflect historical performance. Budget increases are \$91K for 2013, \$41K in 2014, \$17K in 2015, and \$1K in 2016.
- The remainder of the increases were in Engineering Services, Public Works, Parks and Forestry Operations etc.
- There were also minor decreases in revenue in Legal Services, cemeteries and Economic Development to reflect actual trends.

#### *User fee Increases Included in the Above*

A concern that revenue might not keep pace was anticipated and as a result the guidelines included a requirement for all user fees and service charges to be increased in relation to department cost increases and, at minimum, by the rate of inflation.

New: Most of the City's fees/charges are based on existing studies and multi-year by-laws and therefore prior year budget guidelines focused only on the General User Fee By-law, which captures a variety of minor/miscellaneous items. However, with the emergence of multi-year planning and varying by-law intervals/expiry dates, it is of great benefit to coordinate and consolidate the planning of these by-laws for review, update and budget approval under one common process (i.e. Planning, Engineering, Building Standards, Licensing, Recreation, etc.).

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The impact associated with fee by-laws price increases are as follows:

By-Law	Dept/Desc	2012	2013			2014			2015			2016		
		Budget	Budget	Variance \$	%	Budget	Variance \$	%	Budget	Variance \$	%	Budget	Variance \$	%
13-2012	Multiple Departments	2,570,153	2,758,856	188,703	7.3%	2,839,295	80,439	2.9%	2,915,172	75,877	2.7%	2,996,899	81,727	2.8%
48-2011	Development Planning	3,183,642	3,395,646	212,004	6.7%	3,878,772	483,126	14.2%	3,988,950	110,178	2.8%	4,148,116	159,166	4.0%
2-2010	Enforcement/Animal Licens.	45,600	45,600	-	0.0%	45,600	-	0.0%	58,100	12,500	27.4%	58,100	-	0.0%
177-2011	Clerks/Licensing	930,840	981,868	51,028	5.5%	1,036,224	54,356	5.5%	1,093,400	57,176	5.5%	1,154,136	60,736	5.6%
370-2004	Clerks/Perm. Spec. Events	14,625	15,715	1,090	7.5%	16,843	1,128	7.2%	18,009	1,166	6.9%	19,235	1,226	6.8%
371-2004	Clerks/Perm. Filming Events	10,750	5,120	(5,630)	-52.4%	34,846	29,726	580.6%	35,644	798	2.3%	36,442	798	2.2%
372-2004	Clerks/Perm. Newspaper boxes	5,250	5,355	105	2.0%	5,460	105	2.0%	5,565	105	1.9%	5,670	105	1.9%
<b>TOTAL</b>		<b>6,760,860</b>	<b>7,208,160</b>	<b>447,300</b>	<b>6.6%</b>	<b>7,857,040</b>	<b>648,880</b>	<b>9.0%</b>	<b>8,114,840</b>	<b>257,800</b>	<b>3.3%</b>	<b>8,418,598</b>	<b>303,758</b>	<b>3.7%</b>

Although the impacts are incorporated into the draft budget, a separate report on user fees and specific fee increases will be presented to Council for review, deliberation and approval. Any further adjustments resulting from these discussions will be captured in future budget updates.

### *User Fees and Cost Recovery*

It is important to recognize that there is an ongoing balance between funding through a fee for specific user based services versus funding City services through the general tax rate. To the extent there is a user fee, that fee should be adjusted annually to reflect changes in the cost of delivering the service; otherwise, by default, there would be a requirement to fund cost increases through the property tax rate.

Approximately 90% of the City's user fees are generated by the following 5 areas:

- Recreation
- Building Standards
- Planning and Committee of Adjustment (COA)
- Enforcement Services
- Licensing

As a result, the majority of the above departments have conducted various fee studies. Some studies resulted from legislative requirements and others were staff-initiated in-depth studies, resulting in the development of cost recovery policies, principals and targets endorsed by Council. In addition, various benchmarking comparisons have been performed by departments and external consultants indicating Vaughan's recovery targets are on-par or better than neighbouring municipalities. Detailed below is a summary of department and estimated full cost recovery ratios for these areas:



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2013 Department Budgeted Recovery (Figures in Thousands)	Recreation	Licensing	Enforc. Services	Planning	COA	Building Standards (OBC)	Building Standards (Non-OBC)
Revenues	\$ 18,632	\$ 1,121	\$ 2,318	\$ 3,413	\$ 474	* \$ 9,049	\$ 471
Expenditures	19,778	638	5,245	3,029	577	5,413	624
<b>Subsidy/(Surplus)</b>	<b>1,146</b>	<b>(483)</b>	<b>2,927</b>	<b>(384)</b>	<b>103</b>	<b>(3,635)</b>	<b>153</b>
<b>2013 Dept Budget Recovery Ratio</b>	<b>94%</b>	<b>176%</b>	<b>44%</b>	<b>113%</b>	<b>82%</b>	<b>167%</b>	<b>76%</b>
2014 Dept Budget Recovery Ratio	95%	191%	44%	127%	87%	167%	79%
2015 Dept Budget Recovery Ratio	96%	199%	44%	130%	93%	164%	78%
2016 Dept Budget Recovery Ratio	95%	210%	44%	135%	99%	167%	84%
Memo: 2012 Dept. Budget Recovery Ratio	92%	170%	45%	111%	73%	144%	72%
Full Cost Estimate (ABC Model)	** \$ 42,466	\$ 1,587	\$ 5,034	\$ 5,639	\$ 1,159	\$ 9,049	1,687
<b>Subsidy/(Surplus)</b>	<b>23,834</b>	<b>465</b>	<b>2,716</b>	<b>2,226</b>	<b>685</b>	<b>0</b>	<b>1,216</b>
<b>2013 Full Cost Recovery Ratio</b>	<b>44%</b>	<b>71%</b>	<b>46%</b>	<b>61%</b>	<b>41%</b>	<b>100%</b>	<b>28%</b>
2014 Full Cost Budget Recovery Ratio	45%	76%	47%	69%	42%	100%	29%
2015 Full Cost Budget Recovery Ratio	44%	79%	47%	70%	43%	100%	37%
2016 Full Cost Budget Recovery Ratio	44%	82%	46%	71%	44%	100%	39%
Memo: 2012 Full Cost Budget Recovery Ratio	44%	72%	49%	63%	42%	100%	36%
<b>Policy Recovery Goal</b>	95% Dept. Cost	100% Full Cost		100% Full Cost	100% Full Cost	100% Full Cost	

\* Building Standards revenues include a draws from Building Standards Continuity Reserve of \$1.6M in 2013, \$1.5M in 2014&15, and \$1.3M in 2016.

\*\* Recreation Building & Facility costs approximately \$17.3M in 2013, \$17.5 in 2014, \$18.7 in 2015 and \$19.2M in 2016.

\*\*\* Licensing full cost recovery illustrated is lower than 100% due a portion of the department being devoted to risk management and fee restrictions applied to certain licensing activities (e.g. lottery, livestock).

As illustrated above, a number of areas are “below policy recovery goals”. Achieving these goals, would increase revenue and associated tax requirements by approximately \$3m. Resetting the above targets to full cost recovery could potential generate \$30M in additional revenues. Although the above chart illustrates a recovery gap and an opportunity is present, caution is advised when setting fees and recovery targets. There is a need to balance price increases with service demand, process compliance and local competition.

Overall most areas are recovering more than 75% of their department budgets and projected recovery targets remain stable with some isolated exceptions. It should be noted that most labour agreements expire in early 2013 and costs associated with agreement renewals are not incorporated in the above department expenses making planned recovery targets mildly optimistic. Illustrated below are brief comments related to each of the above sections. .

- Building Standards continues to maintain a 100% building code full cost recovery target for OBC revenues, with a draw from the Building Standards Service Continuity Reserve in anticipation of lower volumes created by the slow economic recovery. The total draw from the reserve for the four years is forecasted to be \$5.9M.
- Licensing also continues to achieve their target of recovering business licensing full costs. It should be noted, the department’s full cost recovery illustrated is lower than 100% due to a portion of the department being devoted to risk management and some licensing fee restrictions are applied to lottery, livestock and other licenses. Planned recovery targets are not anticipated to fall below 2013 projections, despite the lack of post 2013 labour agreement impacts.

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- Recreation is planning to recover 95% of their departmental costs by 2014. Presented targets are mildly optimistic as future cost increases associated with labour agreement renewals are not included and could reduce the planned recovery to a figure slightly below their policy target of 95%.
- Enforcement Services is planning to recover 44% of their departmental costs. It should be noted that a recovery policy is not in place for enforcement services, as this service is driven by compliance.
- Planning full cost recovery is steadily climbing from 61% in 2013 to a planned 71% in 2016, which is a great improvement over past budgets.
- COA recovery targets are increasing slightly from 41% in 2013 to 44% in 2016.

### Corporate Revenues

	2013		2014		2015		2016	
	Budget	Change	Budget	Change	Budget	Change	Budget	Change
Corporate Revenues	\$ 17,660,378	\$ (66,200)	\$ 18,666,913	\$ 1,006,535	\$ 18,818,299	\$ 151,386	\$ 18,196,145	\$ (622,154)

### Major Budget Adjustments

- PowerStream Dividends – A revised forecast was recently provided indicating no change for 2013, but anticipated dividend increases in 2014 of \$1.25M, 2015 of \$375K and a drop in 2016 of \$375K. It should be noted that these figures are optimistic and subject to change as a result of rate discussion with the Ontario Energy Board. It should also be noted the revised forecast resulted in a 2013 revenue reduction of \$1m.
- Investment Income – As discussed last year, there is a need to change the methodology used to allocate investment income between the operating budget and reserve accounts. As a result, investment income allocated to the operating budget is phased down by \$250K per year over the term of the plan from \$3m to \$2m. Investment income is also challenged by low interest rates, which are replacing maturing higher yield investments.
- Fines and Penalties – The corporate fines and penalty budget increased by \$100K in 2013 to better reflect actual historical trends experienced. This budget is expected to increase by \$100K in 2014 due to the current economic climate and stabilize through 2016.
- The remaining budget year differences consist of relatively minor budgets and changes.

	2013 Variance	% Change	Tax Rate Impact	2013 Variance	% Change	Tax Rate Impact	2013 Variance	% Change	Tax Rate Impact	2013 Variance	% Change	Tax Rate Impact
Fines And Penalties	100,000	2.1%	0.1%	100,000	2.0%	0.1%	0	0.0%	0.0%	0	0.0%	0.0%
Tax Certificates And Documents	33,800	7.2%	0.0%	5,035	1.0%	0.0%	24,841	4.9%	0.0%	1,256	20.0%	0.0%
Investment Income	(250,000)	-8.3%	-0.2%	(250,000)	-9.1%	-0.2%	(250,000)	-10.0%	-0.2%	(250,000)	-11.1%	-0.1%
Hydro Investment Income	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%
Hydro Dividends	0	0.0%	0.0%	1,150,000	26.0%	0.7%	375,000	6.7%	0.2%	(375,000)	-6.3%	-0.2%
Provincial Offenses Act	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%
Miscellaneous Revenue	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%
Purchasing	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%
Cashiering Services	50,000		0.0%	1,500	3.0%	0.0%	1,545	3.0%	0.0%	1,590	3.0%	0.0%
Capital Admin. Revenue	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%
TOTAL CORPORATE REVENUE	(66,200)	0.0%	0.0%	1,006,535	5.7%	0.6%	151,386	0.8%	0.1%	(622,154)	-3.3%	-0.4%

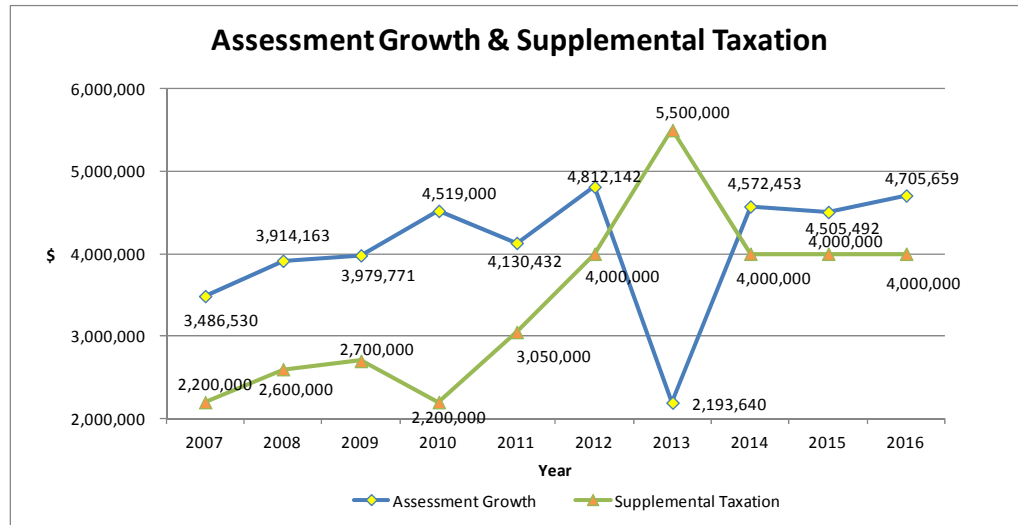
## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 20, 2012

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##### **Assessment Growth**

It should also be noted, 2013 assessment growth is well under historical levels, due to the Municipal Property Assessment Corporation's (MPAC) focus on reassessment activities, resulting in lower assessment growth figures across the GTA. The City has taken a proactive mitigation approach by adjusting 2013 supplemental taxation and assuming traditional assessment growth figures will return in 2014 to 2016. However, there is still a 2013 opportunity loss in the magnitude of \$1.1m, which will hopefully be recovered in future years. Below is an illustration of the above situation.



Supplemental and assessment taxation revenue, although not specifically allocated, help offset the increasing service costs associated with community growth. To illustrate this point, each year City additions are made to:

- Roads
- Sidewalks
- Waste/recycling stops
- Streetlights
- Parkland
- Trails
- Libraries
- Fire operations, etc.

All the above additions require funds to operate and maintain service levels. Included in the Draft 2013-2016 Operating Plan are estimates for staffing, contracts, utilities and associated renewal costs supporting growth. Below are a few items that are indirectly funded through assessment growth.

- Contract and utility volume increases - Ranges between \$700K - \$1,200K
- Infrastructure renewal - As a City grows infrastructure is added, which is initially funded by the development industry, with replacement costs borne by the City at a later date. Additional funding associated with these costs averages \$2.5m per year over the next 4 years.
- Additional Resource Requests- typically \$1.5M - \$2M are approved each year to service growth i.e. fire engines, community centers, parks, etc.

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### **C. Base Budget Expenditure Review**

As illustrated in the Revenue and Expense Summary in Section 1 of the Attachment, the City's expense budget changed as follows:

	2013		2014		2015		2016	
	Budget	Change	Budget	Change	Budget	Change	Budget	Change
Base Budget Expenditures	\$236,783,646	\$ 11,010,437	\$247,346,843	\$ 10,563,197	\$254,153,155	\$ 6,806,312	\$263,223,963	\$ 9,070,808

### ***Departmental Expenditures***

	2013		2014		2015		2016	
	Budget	Change	Budget	Change	Budget	Change	Budget	Change
Department Expenditures	\$205,562,378	\$ 4,818,176	\$208,505,026	\$ 2,942,648	\$211,267,722	\$ 2,762,696	\$215,708,788	\$ 4,441,066

2013 increase of \$4.8M, including the \$244K Library Board increase:

This represents an increase of 2.4% over the 2012 departmental budget, and largely due to the following items:

- Of the total departmental budget increase, \$3.1M is related to changes in support of the City's workforce consisting of the following:
  - \$1.4M in progressions, full year impact of economic adjustments, as per established agreements, job-evaluations, 3/6/9 fire retention, market adjustments etc.
  - \$1.4M increase in benefits due to additional complement, economic adjustments, and benefit rate increases caused by increasing OMERS contributions and EI/ CPP thresholds.
  - \$0.3M increase in part time due to a reallocation from full time to reflect correct complement and a small increase related to recreation program activities.
  - It should be noted that a number of labour agreements expire in early 2013 and therefore increases are not represented in these figures.
- \$1.1M relates to pressures from contracted services and materials and supplies. These increases are the result of growth demands and industry price obligations. Overall, contract service lines increased by 3.1% and relate to winter control, ITM services, waste management etc.
- A \$238K increase in utilities due to rising prices and more buildings as permitted in the approved budget guidelines.
- A \$147K increase in YRT ticket purchases to match historical trends. There is an associated revenue increase to incorporate the City's commissions.
- The remaining increases are minor and in various other accounts.

### Changes from 2014 to 2016

***The City's Workforce:*** The increases in the department budgets continue to be related to the City's workforce. Even with most labour agreements expiring in early 2013, pressures associated with

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benefits, progressions, job-evaluations, etc continue to add about \$1M annually. The largest driver behind these increases are growing benefit rates caused by increasing OMERS contributions and EI/ CPP thresholds. Post agreement labour estimates are planned for in corporate contingency along with other uncertain events.

**Contracts:** The second largest component of the 2014-2106 department expenditure increases is related to contract services, \$865K in 2014, \$1,074K in 2015. For 2016, there is an increase of \$1,096K plus \$702K in maintenance contracts for Carrville Community Centre. These increases are typically the result of increasing demands for services due to growth and industry price obligations. Overall contract service lines increased by 2.3% in 2014, 2.8% in 2015 and 4.7% in 2016 mainly relating to waste management, winter control, maintenance contracts, ITM services, etc.

**Utilities:** The third largest component of the 2014-2106 department expenditure increases is related to utilities, \$540K in 2014 and \$307K in 2015. For 2016, there is an increase of \$472K plus \$743K for Carrville Community Centre. Overall utility increased by 5.1% in 2014, 5.2% in 2015 and 13.7% in 2016. These increases are typically the result of increasing volumes and industry price expectations as permitted in the guidelines.

The remaining balance consists of relatively minor increases in multiple accounts.

Explanations for Department Budget Changes in excess of \$100K are provided in the attachment under Section 4 – Base Budget Analysis & Other Information and Section 8 – Department Information.

### **Reserve Contributions and Corporate Expenditures**

Reserve contributions and corporate expenditures contributed to the remaining City expenditures, which required the following adjustments:

	2013	%	Tax Rate	2014	%	Tax Rate	2015	%	Tax Rate	2016	%	Tax Rate
	Variance	Change	Impact	Variance	% Change	Impact	Variance	% Change	Impact	Variance	% Change	Impact
Contingency	2,611,948	165.8%	1.8%	3,348,843	80.0%	2.1%	3,463,835	46.0%	2.1%	3,569,093	32.4%	2.1%
Long Term Debt	2,059,062	16.6%	1.4%	2,350,000	16.3%	1.5%	1,000,000	6.0%	0.6%	0	0.0%	0.0%
Reserve Contributions	686,361		0.5%	577,086	9.8%	0.4%	716,629	11.1%	0.4%	1,292,961	18.1%	0.7%
-Parks Infrastructure	245,134	68.7%	0.2%	347,036	57.7%	0.2%	353,977	37.3%	0.2%	361,057	27.7%	0.2%
-Post 1998 Bldg & Facilities	141,286	10.7%	0.1%	59,112	4.1%	0.0%	105,294	7.0%	0.1%	782,400	48.3%	0.5%
-Fire & Rescue	148,495	12.6%	0.1%	71,464	5.4%	0.0%	140,894	10.1%	0.1%	30,712	2.0%	0.0%
-Additional Vehicle	116,319	176.3%	0.1%	63,646	34.9%	0.0%	79,919	32.5%	0.0%	81,517	25.0%	0.0%
-Other Reserve Contrib.	35,127			35,828			36,545			37,275		
Capital from Taxation	489,472	5.4%	0.3%	0		0.0%	0		0.0%	0		0.0%
Corporate Expenditures	345,417	-34.5%	0.2%	1,344,620	-205.5%	0.9%	(1,136,847)	-164.7%	-0.7%	(232,313)	52.0%	-0.1%
-Tax Adjustments	425,000	26.6%	0.3%	525,000	25.9%	0.3%	(275,000)	-10.3%	-0.2%	(175,000)	-7.7%	-0.1%
-Election	269,634		0.2%	755,160	280.1%	0.5%	(753,727)	-73.5%	-0.5%	478	0.2%	0.0%
-Joint Service Agreement	(144,827)	-24%	-0.1%	10,660	2.4%	0.0%	10,980	2.4%	0.0%	11,309	2.4%	0.0%
-Anticipated Labour Savings	(130,000)	3%	-0.1%	5,000	0.1%	0.0%	(65,000)	1.6%	0.0%	(50,000)	1.2%	0.0%
-Other Corporate Exp.	(74,390)		-0.1%	48,800			(54,100)			(19,100)		
<b>Total Reserve Contributions &amp; Corporate Expenditures</b>	<b>6,192,260</b>		<b>4.2%</b>	<b>7,620,549</b>		<b>4.9%</b>	<b>4,043,617</b>		<b>2.4%</b>	<b>4,629,741</b>		<b>2.7%</b>

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Explanations for the budget changes are as follows:

#### 2013 Increase of \$6.1M:

- The City's contingency budget increased by \$2.6M and relates to future labour agreement negotiations and certain foreseeable events. Once the outcomes of these events are determined, balances will be reallocated to the appropriate department budgets.
- Long term debt payments increased by \$2.1M primarily to fund major road projects, as per the roads program. Debenture reserve funding was used to smooth this cost. When combined, the net impact is \$1.5M for the year.
- Infrastructure Reserve contributions increase by \$686K, as per policy to support the replacement of community buildings, vehicles, parks, etc. Contributions are based on new asset life cycle contributions.
- Capital from taxation increased by \$489k to support the capital program and associated initiatives.
- Corporate Expenditures increased by \$345K and are attributable to the following:
  - Tax adjustments increased by \$425K due to economic conditions and in anticipation of challenges related to the 2012 MPAC re-assessment.
  - Election costs increase by \$270K to reflect tabulator leases and complement. The net impact is zero as there is an associated funding from the election reserve.
  - The above items were partially offset by
    - A \$130K increase in anticipated labour savings to maintain the historical churn and gapping levels.
    - Joint service agreement expenses decreased by \$145K as a result of bringing cashing services in house. The overall net impact is a savings of \$45K.
    - The net balance is associated with changes in bank charges, professional fees, sundry, AMO membership, etc.

#### 2014 to 2016 Changes

**City Contingency** - The City's contingency account relates to future labour agreement negotiations and certain foreseeable events. Once the outcomes of these events are determined, balances will be reallocated to the appropriate department budgets. Planned budget increases are \$3.3M, 3.5M and \$3.6M respectively.

**Long-term Debt** - The repayment of long term debt is estimated to increase by \$2.4M and \$1M in 2014 and 2015, respectively, primarily to fund major road projects as per the road program. Debenture reserve funding increased by \$0.8K in 2014 and decreases by \$500K and \$1.5M in 2015 and 2016 respectively. When combined, the net impact is \$1.6M in 2014, \$1.5M in 2015 and \$1.5M in 2016. It should be noted, the long-term debt is largely dependant on the capital plan, which will be brought forward at a later date. It is anticipated that these figures will be adjusted.

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**Corporate Expenditures** – An election is scheduled for 2014 with a planned expense of \$755K, based on the past election costs. It is anticipated that a report on the election process will be coming forward later in the budget process. In 2015, election costs are removed with minor changes in 2016. It should be noted that this cost is fully offset by matched withdrawals from the Election Reserve.

**Reserve Contributions** - Infrastructure Reserve contributions increase by \$686K as per policy to support the replacement of community buildings, vehicles, parks, etc. As a result the 2014 to 2016 budgets are anticipated to increase by \$577K, \$717K and \$1.3M, respectively.

### ***Expenditure Review – Degree of Flexibility***

To assist Council in assessing the base budget, the following summary illustrates how the City's expenses are allocated to major expense types:

	2013			2014			2015			2016		
	Base Budget (\$)	% of Total Budget	Cumulative (%)	Base Budget (\$)	% of Total Budget	Cumulative (%)	Base Budget (\$)	% of Total Budget	Cumulative (%)	Base Budget (\$)	% of Total Budget	Cumulative (%)
<b>Operating Expenditures</b>												
Salaries and Benefits	134,430,740	56.8%	56.77%	135,822,846	54.9%	54.91%	136,827,938	53.8%	53.84%	137,422,679	52.2%	52.21%
Service Contracts	32,858,007	13.9%	70.7%	33,630,071	13.6%	68.5%	34,702,110	13.7%	67.5%	36,136,426	13.7%	65.9%
Long Term Debt	13,855,229	5.9%	76.5%	16,205,229	6.6%	75.1%	17,205,229	6.8%	74.3%	17,205,229	6.5%	72.5%
Maint./Materials	9,919,157	4.2%	83.1%	9,801,991	4.0%	81.7%	9,929,018	3.9%	81.0%	10,351,369	3.9%	79.7%
Utilities & Fuel	9,097,449	3.8%	87.0%	9,530,686	3.9%	85.5%	9,982,438	3.9%	84.9%	11,208,554	4.3%	83.9%
Capital from Taxation	7,391,474	3.1%	90.1%	7,391,474	3.0%	88.5%	7,391,474	2.9%	87.8%	7,391,474	2.8%	86.7%
Reserve Contributions	5,747,917	2.4%	78.9%	6,514,672	2.6%	77.7%	7,168,452	2.8%	77.1%	8,567,057	3.3%	75.7%
Insurance Expenses	4,404,320	1.9%	91.9%	4,316,318	1.7%	90.2%	4,532,616	1.8%	89.6%	5,014,113	1.9%	88.6%
Contingency	4,186,886	1.8%	94.8%	7,535,729	3.0%	94.3%	10,999,564	4.3%	94.9%	14,568,657	5.5%	95.1%
Prof. Fees	2,462,426	1.0%	93.0%	2,536,246	1.0%	91.3%	2,387,475	0.9%	90.5%	2,363,218	0.9%	89.5%
Tax Adjustments	2,025,000	0.9%	95.6%	2,550,000	1.0%	95.3%	2,275,000	0.9%	95.8%	2,100,000	0.8%	95.9%
All Other	10,405,041	4.4%	100.0%	11,511,581	4.7%	100.0%	10,751,841	4.2%	100.0%	10,895,187	4.1%	100.0%
<b>Total Draft Expenditures</b>	<b>236,783,646</b>	<b>100.0%</b>	<b>--</b>	<b>247,346,843</b>	<b>100.0%</b>	<b>--</b>	<b>254,153,155</b>	<b>100.0%</b>	<b>--</b>	<b>263,223,963</b>	<b>100.0%</b>	<b>--</b>

The above summary illustrates the City has limited flexibility in any given year to significantly alter the City's cost structure in the short term. More than 75% of the costs are committed through collective agreements, service contracts and financing arrangements. Other reductions will impact the maintenance and repair of the City's infrastructure.

*Detail on the "All Other Expenditures" is provided in the attachment under Section 4 – Base Budget Analysis & Other Information.*

### **D. Consideration of Additional Resource Requests**

As indicated earlier in this report, the budget guidelines were complimented by a process that allowed departments to formally submit requests for essential resources not permitted by the budget guidelines for Finance and Administration Committee and Council consideration. As a result, departments submitted over 136 additional resource requests with a total cost of over \$16.7m, all of which are valued by the submitting departments. It should be noted \$1.7m in requests are fully or partially self funded, which demonstrates staff's willingness to redirect existing resources and manage their finances in a prudent manner.

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Consistent with prior years and demonstrating respect for the tax payer's dollar, the Senior Management Team and the Director's Working Group reviewed, evaluated, and prioritized all additional resource requests based on their merits and the following criteria:

- Vaughan's Vision and the Corporate Planning process linkages
- Value Proposition
- Regulatory Requirements
- Risk Management
- Internal Operational Requirements
- Capital Timing and Funding Availability

The process infuses a high degree of objectivity and transparency, of which the end result is a more realistic and responsible list of additional resource requests. Reducing the initial submission balance to a more manageable level was very difficult for decision makers, who were frequently faced with the dilemma of choosing between "building a progressive city" and "keeping tax rates low". Senior Management and the Directors Working Group spent a significant amount of time reviewing and optimizing the requests, which resulted in a number of requests being partially funded internally, some redistributed within the planned years and 27 requests or approximately \$3.9m deferred beyond the 2013-2016 plan for future budget consideration.

In many situations the result is not optimal, potentially compromising service levels, but necessary to minimize perceived tax pressures on the community. The above situation further supports the need to begin planning resources beyond a single year in order to address future opportunities and funding challenges.

The Senior Management Team's funding recommendation is a blend of both ideals driven by the following:

- Community safety - Fire operations & emergency planning
- Community and library services-, Civic Centre Resource Library, Avondale North Maple Park, ongoing forestry, parks, facility maintenance, etc.
- City building initiatives – Vaughan Metropolitan Centre, zoning by-law review, business development, strategic planning initiatives, public engagement, performance measurement, environment action plans, etc.
- Operational requirements to continue other City services –Planning, engineering, other operational requests, etc.

This information is important, as it provides added visibility to our community stakeholders and decision makers on the timing and resourcing of city services and initiatives. The result of the Senior

Management Team's funding recommendation is summarized on the following pages. Additional detail is provided in the Operating Plan Package attachment #1:

- Section 5 - Additional Resource Request Lists
- Section 8 - Department Information (Financials, Business Plans,& Request Submissions)



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**2013 Additional Resource Requests**

#	Ref Page	Department	Description	# of Positions	2013 Net FTE	Annual Cost	Offsets	2013 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
<b>2013 Base Budget Increase</b>										2.68%	2.68%
<b>Zero Budget Impact ARRs</b>											
A1	H71	Building Standards	Zoning By-law Review	4	4.00	573,659	(573,929)	(270)	(270)	0.00%	2.68%
A2	J22	Dev/Trans. Eng	VMC Development Implementation Project	3	3.00	366,567	(366,567)	-	(270)	0.00%	2.68%
A3	J26	Dev/Trans. Eng	Transportation Engineer	1	1.00	119,394	(119,394)	-	(270)	0.00%	2.68%
A4	H75	Building Standards	Mechanical Building Inspectors	2	2.00	188,045	(188,045)	-	(270)	0.00%	2.68%
A5	H79	Building Standards	Plans Examiner/Inspector (Mechanical/Plumbing/Fire	1	1.00	92,887	(92,887)	-	(270)	0.00%	2.68%
A6	I82	ITM	Client Support Analyst	1	-	84,254	(84,254)	-	(270)	0.00%	2.68%
A7	I86	ITM	Client Support Analyst (FTE Conversion)	2	-	192,578	(192,578)	-	(270)	0.00%	2.68%
<b>Budget Impact ARRs</b>											
1	G116	Parks & Forestry Operation	Sidewalk: Thomas Cook Ave/Thornhill Woods Drive	-	-	40,000	-	40,000	39,730	0.03%	2.71%
2	I14	Strategic Planning	Strategic Planning Business Analysts	1	1.00	97,181	-	97,181	136,911	0.07%	2.77%
3	H49	Policy Planning	Planner 1	1	1.00	91,697	-	91,697	228,608	0.06%	2.83%
4	I18	Strategic Planning	PM Software Maintenance Costs	-	-	10,000	-	10,000	238,608	0.01%	2.84%
5	I90	ITM	Systems Analyst/Proj. Leader (CLASS)	1	1.00	115,551	-	115,551	354,159	0.08%	2.92%
6	G120	Parks & Forestry Operation	Soccer Field Maintenance	-	-	26,000	(20,435)	5,565	359,724	0.00%	2.92%
7	J98	PW - Roads	Roads Labourer	1	1.00	53,305	-	53,305	413,029	0.04%	2.96%
8	J102	PW - Roads	Equipment Operator II - Heavy Equipment Operator	2	2.00	138,133	-	138,133	551,162	0.09%	3.05%
9	G53	B&F	Facility Operator I - Vellore Vill. CC Expansion	1	1.00	56,715	-	56,715	607,877	0.04%	3.09%
10	H27	Development Planning	DTA Co-ordinator	1	1.00	79,561	-	79,561	687,438	0.05%	3.14%
11	G124	Parks & Forestry Operation	Tree Pruning (routine street pruning)	-	-	146,250	-	146,250	833,688	0.10%	3.24%
12	J61	Eng. Services	Utility Inspector (PT Conversion)	1	0.67	107,177	(101,841)	5,336	839,024	0.00%	3.25%
13	D16	Economic & Business Deve	Employment Zone, VMC Marketing	-	-	50,000	-	50,000	889,024	0.03%	3.28%
14	G128	Parks & Forestry Operation	Forestry Arborist	1	1.00	69,672	-	69,672	958,696	0.05%	3.33%
15	I39	Environmental Sustainability	Local action plan for reducing GHG emissions	-	-	45,000	(22,500)	22,500	981,196	0.02%	3.34%
16	I131	HR	Redevelopment of Staff Appraisal Forms	-	-	50,000	-	50,000	1,031,196	0.03%	3.37%
17	G6	Commissioner of Communit	Administrative Assistant	1	0.31	76,595	(32,506)	44,089	1,075,285	0.03%	3.40%
18	D107	Fire & Rescue Operations	STN 75 - 16 Firefighters & 4 Captains	20	20.00	1,773,036	-	1,773,036	2,848,321	1.19%	4.60%
<b>Total of ARRs Recommended by Senior Management Team</b>				45	40.98	4,643,257	(1,794,936)	\$ 2,848,321		1.92%	

**Total Tax Increase (1%=\$1,484,363)**

**2013 Base Budget Increase**

**Tax Increase due to ARRs Recommended by Senior Management Team and F&A Committee**

<b>4.60%</b>
2.68%
1.92%

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## EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 20, 2012

### 2014 Additional Resource Requests

#	Ref Page	Department	Description	# of Positions	2014 Net FTE	Annual Cost	Offsets	2014 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
<b>2014 Base Budget Increase</b>										2.45%	2.45%
<b>Impact of 2013 ARRs 2014</b>									94,519	0.06%	2.51%
<b>Budget Impact</b>											
1	H71	Building Standards	Zoning By-law Review	3	1.80	250,613	(111,136)	139,477	233,996	0.09%	2.60%
2	I14	Strategic Planning	Strategic Planning Business Analysts	1	1.00	97,546	-	97,546	331,542	0.06%	2.66%
3	H53	Policy Planning	Senior Policy Planner (Extension of 2 YR Contra	1	1.00	115,122	-	115,122	446,664	0.07%	2.73%
4	J30	Dev/Trans. Eng	Development Coordinator	1	1.00	113,346	(104,346)	9,000	455,664	0.01%	2.74%
5	J34	Dev/Trans. Eng	Transportation Engineer	1	1.00	125,835	-	125,835	581,499	0.08%	2.82%
6	J106	PW - Roads	Equipment Operator I	2	2.00	136,230	-	136,230	717,729	0.09%	2.91%
7	G57	B&F	Facility Operator I - Fr. Ermanno CC Expansion	1	1.00	56,938	-	56,938	774,667	0.04%	2.94%
8	I135	HR	Learning & Development Specialist	1	1.00	101,046	-	101,046	875,713	0.06%	3.01%
9	G61	B&F	Preventative Maintenance Mechanic (PT Conver	1	0.57	75,604	(28,500)	47,104	922,817	0.03%	3.04%
10	G132	Parks & Forestry Operations	Forestry Arborist II	1	1.00	70,143	-	70,143	992,960	0.04%	3.08%
11	G136	Parks & Forestry Operations	Temporary Seasonal Employees	2	1.38	63,579	-	63,579	1,056,539	0.04%	3.12%
12	G65	B&F	Assistant Foreperson	1	1.00	62,736	-	62,736	1,119,275	0.04%	3.16%
13	E58	Purchasing Services	Senior Technical Clerk (PT Conversion)	1	1.00	74,342	(39,092)	35,250	1,154,525	0.02%	3.19%
14	G69	B&F	Building and Facilities City-wide Maintenance an	-	-	250,000	-	250,000	1,404,525	0.16%	3.34%
15	I94	ITM	Client Support Analyst	1	1.00	97,365	-	97,365	1,501,890	0.06%	3.41%
16	I98	ITM	Technology Specialists	2	2.00	231,942	-	231,942	1,733,832	0.15%	3.55%
17	G140	Parks & Forestry Operations	Hard Surface Repairs	-	-	80,000	-	80,000	1,813,832	0.05%	3.61%
18	G144	Parks & Forestry Operations	Courts-Tennis and Basketball	-	-	15,000	-	15,000	1,828,832	0.01%	3.61%
19	D130	Fire Training	Training Officer	1	1.00	142,584	-	142,584	1,971,416	0.09%	3.71%
20	I43	Environmental Sustainability	Climate change adaptation research	-	-	25,000	(10,876)	14,124	1,985,540	0.01%	3.71%
21	G148	Parks & Forestry Operations	Playground Safety Surface Testing	-	-	40,000	-	40,000	2,025,540	0.03%	3.74%
22	H83	Building Standards	Plans Examiner (Zoning)	1	1.00	86,927	(42,594)	44,333	2,069,873	0.03%	3.77%
23	I102	ITM	Client Support Analyst - Audio/Video	1	1.00	92,386	-	92,386	2,162,259	0.06%	3.83%
24	G72	B&F	Clerk Typist A (PT Conversion)	1	0.31	45,895	(30,666)	15,229	2,177,488	0.01%	3.84%
25	G152	Parks & Forestry Operations	Sod and Seed for Sports Fields	-	-	25,000	-	25,000	2,202,488	0.02%	3.85%
26	F66	Enforcement Services	Property Standards Officer	2	2.00	178,404	(30,000)	148,404	2,350,892	0.09%	3.95%
27	G156	Parks & Forestry Operations	Community Services Asset Management Coord	1	1.00	106,446	-	106,446	2,457,338	0.07%	4.02%
28	D111	Fire & Rescue Operations	4 District Chiefs	4	4.00	560,122	-	560,122	3,017,460	0.36%	4.37%
29	G160	Parks & Forestry Operations	Irrigation System Maintenance	-	-	21,000	-	21,000	3,038,460	0.01%	4.39%
30	J65	Eng. Services	Pavement Markings - Rural Roads	-	-	165,000	-	165,000	3,203,460	0.11%	4.49%
31	J38	Dev/Trans. Eng	Clerical Assistant Clerk C	1	1.00	78,767	(49,000)	29,767	3,233,227	0.02%	4.51%
32	D150	Emergency Planning	Emergency Planner (Partial FTE Conversion)	1	0.69	86,586	(6,928)	79,658	3,312,885	0.05%	4.56%
33	D20	Economic & Business Devel	Business Development Officer - Advanced Good	1	1.00	90,115	-	90,115	3,403,000	0.06%	4.62%
34	G164	Parks & Forestry Operations	Fertilizing Parks	-	-	20,000	-	20,000	3,423,000	0.01%	4.63%
35	G168	Parks & Forestry Operations	Aerating Parks	-	-	20,000	-	20,000	3,443,000	0.01%	4.64%
36	I63	Access Vaughan	Citizen Service Representative	2	1.38	82,433	-	82,433	3,525,433	0.05%	4.70%
<b>Total of ARRs Recognized by Senior Management Team</b>				36	32.13	3,584,918	(446,210)	3,430,914		2.19%	

**Total Tax Increase (1%=\$1,569,875)**

**2014 Base Budget Increase**

**Tax Increase due to ARRs Recommended by Senior Management Team and F&A Committee**

<b>4.70%</b>
2.45%
2.25%

...

**CITY OF VAUGHAN**

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**2015 Additional Resource Requests**

#	Ref Page	Department	Description	# of Positions	2015 Net FTE	Annual Cost	Offsets	2015 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
<b>2015 Base Budget Increase</b>										1.57%	1.57%
<b>Impact of 2013-14 ARRs on 2015</b>									295,104	0.18%	1.75%
<b>Budget Impact</b>											
1	H71	Building Standards	Zoning By-law Review	1	1.00	137,305	(34,757)	102,548	397,652	0.06%	1.81%
2	I22	Strategic Planning	On-Line Citizen Public Engagement Survey	-	-	75,000	-	75,000	472,652	0.05%	1.86%
3	G97	Fleet	Electric Vehicle Municipal Feasibility Program Pi	-	-	15,000	(9,750)	5,250	477,902	0.00%	1.86%
4	D115	Fire & Rescue Operations	STN 78 - 16 Firefighters & 4 Captains	20	20.00	1,793,138	-	1,793,138	2,271,040	1.08%	2.94%
5	K15/19	Library	Civic Centre Resource Library - Operations & S	50	38.29	2,983,845	(83,600)	2,900,245	5,171,285	1.75%	4.70%
6	I26	Strategic Planning	New Vaughan Vision Strategic Plan	-	-	120,000	-	120,000	5,291,285	0.07%	4.77%
7	I106	ITM	EDMS Business Analyst	1	1.00	120,373	-	120,373	5,411,658	0.07%	4.84%
8	I110	ITM	EDMS Technical SME	1	1.00	120,373	-	120,373	5,532,031	0.07%	4.91%
<b>Total of ARRs Recognized by Senior Management Team</b>				73	61.29	5,365,034	(128,107)	5,236,927		3.17%	

**Total Tax Increase (1%=\$1,654,159)**

**2015 Base Budget Increase**

**Tax Increase due to ARRs Recommended by Senior Management Team and F&A Committee**

<b>4.91%</b>
1.57%
3.34%

# CITY OF VAUGHAN

## EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 20, 2012

### 2016 Additional Resource Requests

#	Ref Page	Department	Description	# of Positions	2016 Net FTE	Annual Cost	Offsets	2016 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.	
2016 Base Budget Increase										3.24%	3.24%	
Impact of 2013-15 ARRs on 2016										255,795	0.15%	3.39%
Budget Impact												
1	E31	Budgeting & Financial Planning	Senior Capital and Reserve Analyst	1	1.00	109,475	-	109,475	365,270	0.06%	3.45%	
2	G76	B&F	Facility Operator I - Block 11	9	9.00	518,472	-	518,472	883,742	0.30%	3.75%	
3	D119	Fire & Rescue Operations	4 District Chiefs	4	4.00	566,460	-	566,460	1,450,202	0.33%	4.08%	
4	G172	Parks & Forestry Operations	Boulevard Shrub Bed Summer Student Position	3	0.69	51,667	-	51,667	1,501,869	0.03%	4.11%	
5	D154	Emergency Planning	Primary and Alternate EOC Telephone Systems	-	-	63,390	-	63,390	1,565,259	0.04%	4.15%	
6	G176	Parks & Forestry Operations	10 Month Horticulture Temp (Shrub Maintenance)	1	0.69	25,956	-	25,956	1,591,215	0.02%	4.16%	
7	D41	Corporate Comm.	Communications Specialist, Website Content Manager	1	1.00	90,381	-	90,381	1,681,596	0.05%	4.21%	
8	G180	Parks & Forestry Operations	Oakbank Pond Maintenance Program	-	-	75,000	-	75,000	1,756,596	0.04%	4.26%	
9	K23	Library	eMarketing & Communications Specialist - Pilot	1	1.00	77,993	-	77,993	1,834,589	0.05%	4.30%	
10	I139	HR	HR Specialist, Workplace Health and Safety	1	1.00	122,410	-	122,410	1,956,999	0.07%	4.37%	
11	F70	Enforcement Services	Animal Services - Shelter Attendant	1	1.00	58,513	(13,829)	44,684	2,001,683	0.03%	4.40%	
12	D158	Emergency Planning	Hazard/Risk Assessment and Review Consultant	-	-	15,000	-	15,000	2,016,683	0.01%	4.41%	
13	G184	Parks & Forestry Operations	6 month Contract Services Temp	1	0.69	25,956	-	25,956	2,042,639	0.02%	4.42%	
14	G188	Parks & Forestry Operations	Non-selective Weed Spraying Program	-	-	25,000	-	25,000	2,067,639	0.01%	4.44%	
15	D94	Fire Prevention	Fire Prevention Inspector	1	1.00	88,502	-	88,502	2,156,141	0.05%	4.49%	
16	G32	Cultural Services	Arts & Culture Marketing Material	-	-	60,000	-	60,000	2,216,141	0.03%	4.52%	
17	K27	Library	Library Resources Purchasing Power Protection	-	-	48,700	-	48,700	2,264,841	0.03%	4.55%	
18	G192	Parks & Forestry Operations	Additional GPS Units	-	-	30,000	-	30,000	2,294,841	0.02%	4.57%	
19	G196	Parks & Forestry Operations	Avondale Park (North Maple) - Development	-	-	10,000	-	10,000	2,304,841	0.01%	4.57%	
20	G196	Parks & Forestry Operations	Avondale Park (North Maple) - Park Attendants	4	4.00	303,309	-	303,309	2,608,150	0.18%	4.75%	
21	G196	Parks & Forestry Operations	Avondale Park (North Maple) - Park Attendants	4	4.00	297,309	-	297,309	2,905,459	0.17%	4.92%	
22	I143	HR	HR Specialist, Absence and Disability Management	1	1.00	93,481	-	93,481	2,998,940	0.05%	4.98%	
23	F45	Legal Services	Real Estate Consultant - Acquisitions	1	0.50	52,282	-	52,282	3,051,222	0.03%	5.01%	
24	I147	HR	Human Resources Partner	1	1.00	111,050	-	111,050	3,162,272	0.06%	5.07%	
25	F74	Enforcement Services	Animal Services - Shelter Clerk, p/t	1	0.69	31,200	(7,475)	23,725	3,185,997	0.01%	5.08%	
26	D82	Fire Mechanical	Stores Clerk	1	1.00	66,473	-	66,473	3,252,470	0.04%	5.12%	
27	D45	Corporate Comm.	Communications Specialist, Client Services	1	1.00	90,381	-	90,381	3,342,851	0.05%	5.17%	
28	E35	Budgeting & Financial Planning	Senior Budget Analyst	1	1.00	108,950	-	108,950	3,451,801	0.06%	5.24%	
29	G80	B&F	PT Facility Operator - Carrville	2	1.80	71,548	-	71,548	3,523,349	0.04%	5.28%	
30	G36	Cultural Services	Events Coordinator	1	1.00	92,781	-	92,781	3,616,130	0.05%	5.33%	
Total of ARRs Recognized by Senior Management Team				42	38.06	3,381,639	(21,304)	3,360,335		1.95%		

**Total Tax Increase (1%=\$1,727,649)**

**2016 Base Budget Increase**

**Tax Increase due to ARRs Recommended by Senior Management Team and F&A Committee**

<b>5.33%</b>
3.24%
2.09%

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 20, 2012

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#### Relationship to Vaughan Vision 2020

The Draft 2013 Operating Budget and 2014-2016 Operating Plan is the process to allocate and approve the resources necessary to continue operations and implement Council's approved plans.

#### Regional Implications

There are no Regional implications associated with this report.

#### Conclusion

The City of Vaughan is becoming increasingly more sophisticated with each passing year and there is a need to broaden the budget horizon and unveil the future. The implementation of multi-year budgets will provide decision makers with added foresight and ability to proactively grasp future opportunities, address future challenges and reduce blind spots by understanding the longer-term financial implications of present and past decisions. This is a very strategic approach intended to plan where the City's future resources should be focused to best support the City and generate public value.

The City has followed a very thorough process to minimize any tax increase while maintaining levels of service and meeting regulatory requirements. Very tight budget guidelines approved by Council, were issued to all departments limiting increases to established commitments and pre-defined external pressures. In addition to the strict base budget guidelines, a number of additional resource requests were put forward by departments to maintain service levels, comply with regulatory requirements and implement new initiatives. The Directors' Working Group and Senior Management spent a considerable amount of time reviewing the operating base budget and prioritizing resource requests in order to develop a realistic and responsible financial plan. The resulting outcome of above efforts is illustrated below in the building the budget diagram.

#### BUILDING THE BUDGET

Components	2013			2014			2015			2016		
	Rate Incr.	\$ (m)	Bill Incr.	Rate Incr.	\$ (m)	Bill Incr.	Rate Incr.	\$ (m)	Bill Incr.	Rate Incr.	\$ (m)	Bill Incr.
Base Budget	2.68%	3.98	\$37.33	2.45% (see note)	3.92	\$35.73	1.57% (see note)	2.64	\$23.94	3.24% (see note)	5.69	\$49.04
ARR	1.92%	2.85	\$26.67	2.25%	3.53	\$33.27	3.34%	5.53	\$52.06	2.09%	3.62	\$36.96
<b>Subtotal</b>	<b>4.60%</b>	<b>6.83</b>	<b>\$64</b>	<b>4.70%</b>	<b>7.45</b>	<b>\$69</b>	<b>4.91%</b>	<b>8.17</b>	<b>\$76</b>	<b>5.33%</b>	<b>9.31</b>	<b>\$86</b>
Hospital Levy	0.91%	1.29	\$10.72									
<b>Grand Total</b>	<b>5.51%</b>	<b>8.12</b>	<b>\$75</b>	<b>4.70%</b>	<b>7.45</b>	<b>\$69</b>	<b>4.91%</b>	<b>8.17</b>	<b>\$76</b>	<b>5.33%</b>	<b>9.31</b>	<b>\$86</b>

**Please note:** The 2014 to 2016 base budget rate increase is adjusted down as a result of the inclusion of prior year ARR requests.

**CITY OF VAUGHAN**

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**Attachments**

Attachment#1: Financial Overview (Available in the Clerk's Department)

Attachment#2: Department Financial Summaries, Business Plans & Recommended Additional Resource Requests

**Report prepared by:**

Barbara Cribbett, CMA  
Commissioner of Finance/City Treasurer Ext. 8475

John Henry, CMA  
Director of Budgeting & Financial Planning Ext. 8348

Ursula D'Angelo, CGA  
Manager, Operating Budget & Activity Costing Ext. 8401

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

*Councillor lafrate declared an interest with respect to the foregoing matter insofar as it relates to contingency funds, as her spouse is an employee of the City of Vaughan, and did not take part in the discussion or vote on the particular matter.*

**DRAFT 2013 BUDGET AND 2014-2016 OPERATING PLAN****Recommendation**

The City Manager, the Commissioner of Finance/City Treasurer and the Director of Budgeting and Financial Planning, in consultation with the Senior Management Team recommend:

That the following report on the Draft 2013 Operating Budget and 2014-2016 Operating Plan, including additional resource requests, be received for information and discussion purposes.

**Contribution to Sustainability**

Sustainability by definition focuses on the ability to maintain an activity over an extended time horizon. Budgeting is the process of allocating limited resources to achieve the City's objectives and established priorities. Responsible budgeting allocates resources in a way that balances needs and aspirations of the present without compromising the ability to meet those of the future.

***The Budget Objective***

"To balance the pressures of maintaining existing services and growth requirements against available future City funding/resources necessary to undertake and manage operations and corporate initiatives"

Specific principles included in the Operating Budget Guidelines approved by Council are:

***Managing our future***

1. Resourcing our Vision "Corporate Planning Process"
2. Looking to the future with multi-year budgets
3. Managing operations through business planning

***Managing tax increases***

4. Specific budget policy & guidelines
5. A thorough multi-layer review process

Collectively, these principles have aided in developing realistic and responsible financial plans.

**Communication Plan*****Public consultation is integral to building the budget***

As part of the budget process and integral to building the budget, opportunities for public engagement, consultation and input are available. These opportunities consist of the following:

- ❖ Information posted on the City website
- ❖ Public Finance & Administration Committee/Council meetings
- ❖ A community survey
- ❖ And educational and interactive municipal finance game to generate awareness

Listed below are scheduled Finance and Administration Committee meeting dates.

November 12, 2012	9:30am – 12:00 pm
November 26, 2012	7:00pm – 10:00 pm
December 3, 2012	9:30am – 12:00 pm
December 10, 2012	7:00pm – 10:00 pm
January 14, 2013	7:00pm – 10:00 pm
January 21, 2013	9:30am – 12:00 pm

## ***Final Opportunity for Community Input / Budget Approval Communication***

In addition to the above section, a Special Council meeting will be scheduled in late January or early February, before budget approval, to provide the public with a final opportunity to comment on the Proposed 2013 Operating Budget and 2014-2016 Operating Plan. This meeting will be advertised in advance, consistent with the City's public notification by-law.

**Public Notification:** In the interest of increasing the community's awareness, these meetings will be advertised on:

- The City's website
- Through local media partners, social media, etc.
- On City mediums such as TV monitors in City Hall, posters at community facilities, etc

**Location:** Vaughan City Hall, 2141 Major Mackenzie Dr.

## **Economic Impact**

The City's approach to establishing the operating budget is two fold. First, the process begins with Council approving very strict budget guidelines which are issued to departments. The guidelines do not include any "across the board" increases.

Second, a separate justification is required for each resource request not covered under the guidelines. There is a thorough vetting process and only those requests that are supported by management are individually itemized and recommended to the Finance and Administration Committee.

Together, the Base Budget and the Additional Resource Requests (ARR's) form the annual draft operating budget. Further discussion and the impact of each of these components are detailed within this report. Illustrated below are the combined major elements giving rise to the total budget change for both the base budget and the Senior Management Team's Additional Resource Request funding recommendation:

Highlights & Major Budget Elements	2013		2014		2015		2016	
	\$	Rate Incr.	\$	Rate Incr.	\$	Rate Incr.	\$	Rate Incr.
Insurance premiums	500,000	0.34%					410,263	0.23%
Roads program ( <i>Debtenture financed</i> )	1,461,924	0.98%	1,550,000	0.97%	1,500,000	0.89%	1,500,000	0.85%
Infrastructure renewal policy funding	826,361	0.56%	577,088	0.36%	716,630	0.43%	1,292,962	0.74%
Other capital funding requirements	489,000	0.33%						
Tax adjustments ( <i>Reassessment based</i> )	425,000	0.29%	525,000	0.33%	(275,000)	-0.16%	(175,000)	-0.10%
Carrville CC ( <i>contracts, utilities, etc.</i> )							1,450,000	0.82%
Other net City obligations ( <i>workforce, contracts, etc.</i> )	276,529	0.19%	1,270,806	0.79%	701,698	0.42%	1,211,735	0.69%
<b>Additional Resource Requests</b>								
- Community safety (Fire)	1,773,036	1.19%	782,364	0.49%	1,793,138	1.06%	799,825	0.45%
- Community & library services	362,291	0.24%	786,729	0.49%	2,900,245	1.72%	1,713,691	0.97%
- City building initiatives	179,411	0.12%	562,830	0.35%	543,544	0.32%	90,381	0.05%
- Operational requirements	533,583	0.36%	1,393,510	0.91%	295,104	0.24%	1,012,233	0.61%
<b>Total Budget Change</b>	<b>6,827,135</b>	<b>4.60%</b>	<b>7,448,327</b>	<b>4.70%</b>	<b>8,175,359</b>	<b>4.91%</b>	<b>9,306,090</b>	<b>5.33%</b>
<b>Average Residential Tax bill</b>								
	\$64		\$69		\$76		\$86	

**Local Hospital Levy** - The City has taken steps to bring a much needed hospital and other health care resources to Vaughan. The Government of Ontario requires local communities to support the development of a hospital through a local financial contribution. It should be noted the financial support and plan for the Vaughan Hospital was approved on June 15<sup>th</sup>, 2009 and subsequently revised on April 5<sup>th</sup>, 2011 detailing a phased-in approach ending in 2013. The approved 2013 residential property tax increases associated with the separate Hospital Capital Levy is approximately \$11 or 0.91% for the average home, which is in addition to the tax rate increase illustrated above to support the City's operations.



## **Purpose**

The purpose of this report is to provide the Finance & Administration Committee with information and details regarding the Draft 2013 Operating Budget and 2014-2016 Operating Plan and corresponding tax adjustments on an average Vaughan household. This is the first of a series of budget reports that build the City's budget. The operating budget report sets the tone of the process and is complimented by subsequent reports on capital, user fees and a variety of Committee/Council requested reports.

## **Background – Analysis and Options**

### **Executive Summary**

#### **Financial Sustainability Always a Key Priority**

As a result of the City's long standing dedication to financial management through progressive best practices and prudent policies, the City is in a very strong financial position. The City has always considered increasing taxes as a last resort. Through prudent policies, tight budget guidelines and strong leadership, the City has provided residents tremendous value by offering some of the lowest property tax rates in York Region and the Greater Toronto Area, while providing high quality services to the community.

As the City moves forward, financial sustainability must continue as one of Vaughan's key priorities. Over the next decade, the City of Vaughan is expected to undergo a tremendous transformation fueled by sustained high growth rates, provincially driven intensification, increasing legislative requirements, mounting infrastructure renewal costs, and a number of vision based master plans reflecting important community needs. As the City becomes increasingly more sophisticated, it will also face increasing financial pressure beyond the many factors currently placing strain on the property tax rate and reserve balances to maintain existing service levels. These pressures are permanent and often require continuous funding solutions, typically taxation.

Building on last year's efforts, the Corporate Planning Process continues to integrate strategic planning and financial planning processes. The primary benefits of this step are numerous:

- ✓ Ensures an achievable and resourced strategic plan
- ✓ Ensures resource allocation is guided by the City's vision and strategic themes
- ✓ Better communicates the City's direction and focus

On April 17<sup>th</sup>, 2012, Council reviewed the priority themes and initiatives and validated the direction set in 2011 as a number of priority strategic initiatives were not fully implemented and it was important to maintain a focus before adding new priority initiatives to the list. The priority themes and initiatives for this year's budget process are:

- Develop a plan to build a dynamic Vaughan Metropolitan Centre (VMC)
- Develop and implement a corporate-wide asset management system
- Further evolve performance indicators
- Undertake a program review
- Additional operational/business reviews

The City of Vaughan is becoming increasingly more sophisticated with each passing year and there is a need to broaden the budget horizon and unveil the future. This action provides decision makers with added foresight and the ability to proactively grasp future opportunities, address future challenges and reduce blind spots by understanding the longer-term financial implications of present and past decisions. This is a very strategic approach intended to generate discussion on where the City's future resources should be focused to best support the City's vision, operationalize strategies, generate public value and address pertinent challenges. It is also a critical component of the corporate planning process discussed in the last section. For this year's

process, the City will develop a 4 year operating and complementary 4 year capital plan. However, it should be recognized that assumptions, estimates and uncertainties are commonplace when predicting future budgets and these factors may change as new information becomes available. For this reason, it is suggested that Council only approve the current year budget and recognize future budget forecasts.

### ***Economic Outlook – At a Cross Roads***

Based on TD Economics - Sept. 18<sup>th</sup> Quarterly Economic Forecast.

"Canada's economy appears to be at a crossroads. After ramping up spending during the recession and recovery, fatigued households and deficit-laden governments have recently been shifting their attention to restraint. While exports and business investment had appeared poised to do more heavy lifting this year, this transition has been delayed by ongoing global uncertainty, an elevated exchange rate and softening commodity markets. With no engine firing on all cylinders, economic growth is being held to a meek sub-2% rate and the jobless rate is stuck above 7%. By early 2013, we suspect that global headwinds will have dissipated enough to spur stronger Canadian exports and entice cash-flush businesses to loosen their purse strings – pulling real GDP growth back above 2% and pushing the jobless rate down modestly. This shift to more balanced growth will be a major step forward in ensuring sustainable economic growth in Canada (TD Economics)

The above information is relatively global and is intended to provide a general economic context, which may change over time and may not reflect Vaughan's micro economic situation.

### ***Budget Approach***

The City's approach to the annual operating budget is to first develop the Base Budget through the issuance of very strict budget guidelines. Under the guidelines, departments are only permitted to include very specific adjustments in their Base Budget, which are typically related to predetermined agreements, contracts or Council approved increase. The guidelines do not include "across the board" increases for inflation or increases for new staffing.

To the extent that a department requires additional resources, a separate business case must be submitted for consideration. These are referred to as Additional Resource Requests (ARR) and are individually vetted through the Directors Working Group, Senior Management Team, the Finance and Administration Committee and finally Council.

The objective of separating the process into the base budget and additional resource requests is to identify the minimum resources based on agreements etc. and review all other requests on an individual basis. Further details with respect to the guidelines, principles or the actions are provided in Section 7 of the Attachment - Comprehensive Budget Review & Guidelines.

Base Budget and Additional Resource Request Highlights are provided below:

### **Base Budget**

The impact of the Base Operating Plan, derived from Council's approved guidelines is as follows:

	2013	2014	2015	2016
Net Taxation Change	\$3.98m	\$3.92m	\$2.64m	\$5.69m
Avg. Residential Tax Rate Change	2.68%	2.45%	1.57%	3.24%
Avg. Residential Tax Bill Change	\$37.33	\$35.73	\$23.92	\$49.04

The above changes are largely driven by staff agreements, contractual obligations, utility needs, and capital funding requirements. Although there are many components to the City's base budget, the base budget would be much lower. Technically, in the absence of these adjustments, there would be a decrease in the base budget. These items and their affect on the base budget are illustrated in the following table.

Highlights & Major Budget Elements	2013		2014		2015		2016	
	\$	Rate Incr.	\$	Rate Incr.	\$	Rate Incr.	\$	Rate Incr.
<b>Base Budget Change</b>	3,978,814	2.68%	3,922,894	2.46%	2,643,328	1.57%	5,689,960	3.24%
<b>Less: Major Expenditure Increases</b>								
Insurance premiums	500,000	0.34%		0.00%		0.00%	410,263	0.23%
Roads Program Ltd	1,461,924	0.98%	1,550,000	0.97%	1,500,000	0.89%	1,500,000	0.85%
Infrastructure renewal policy funding	826,361	0.56%	577,088	0.36%	716,630	0.43%	1,292,962	0.74%
Other Capital funding requirements	489,000	0.33%	-	0.00%	-	0.00%	-	0.00%
Reassessment - Tax Adjustments	425,000	0.29%	525,000	0.33%	(275,000)	-0.16%	(175,000)	-0.10%
Carrville CC (contracts, utilities, etc.)							1,450,000	0.82%
Subtotal	3,702,285	2.49%	2,652,088	1.66%	1,941,630	1.15%	4,478,225	2.55%
<b>Total Budget Change</b>	<b>276,529</b>	<b>0.19%</b>	<b>1,270,806</b>	<b>0.79%</b>	<b>701,698</b>	<b>0.42%</b>	<b>1,211,735</b>	<b>0.69%</b>

It should also be noted, assessment growth is well under historical levels, due to the Province's Municipal Property Assessment Corporation (MPAC) focus on reassessment activities, resulting in lower assessment growth figures across the GTA. The City has taken a proactive mitigation approach by adjusting supplemental taxation. However, there is still a 2013 forecasted net reduction in the order of \$1.1m, which will hopefully be recovered in future years.

### **Additional Resource Requests (ARR's)**

As previously noted Additional Resource Requests are not permitted under the base operating budget guidelines and are submitted and assessed on their respective merits. Initially, there were 126 requests totalling a combined \$18.7m, all of which are valued. Reducing this balance was very difficult for decision makers, who were frequently faced with the dilemma of choosing between "building a progressive city" and "keeping tax rates low". The Senior Management Team's funding recommendation is a blend of both ideals driven by the following:

- Community safety - Fire operations & emergency planning
- Community and library services-, Civic Centre Resource Library, Avondale North Maple Park, ongoing forestry, parks, facility maintenance, etc.
- City building initiatives – Vaughan Metropolitan Centre, zoning by-law review, business development, strategic planning initiatives, pubic engagement, performance measurement, environment action plans, etc.
- Operational requirements to continue other City services –Planning, engineering, and other operational requests, etc.

Senior Management and the Directors Working Group spent a significant amount of time reviewing and optimizing the requests, which resulted in a number of requests being partially funded internally (over \$2.5m), some redistributed within the planned years and \$3.9m deferred beyond the 4 year plan without guarantee. In many situations the result is not optimal, potentially compromising service levels, but necessary to minimize tax pressures on the community. The above situation further supports the need to begin planning resources beyond a single year in order to address future opportunities and challenges. A high-level summary of the additional resource request recommendations are provided in a later section. More specific details are provided in the Attachment, specifically Section 5 - Additional Resource Requests and Section 8 Department Information. The result of the Senior Management Team's funding recommendation is as follows:

	2013	2014	2015	2016
Net Taxation Change	\$2.8m	\$3.52m	\$5.53m	\$3.62m
Avg. Residential Tax Rate Change	1.92%	2.25%	3.34%	2.09%
Avg. Residential Tax Bill Change	\$26.74	\$32.78	\$50.94	\$33.44

### **Combined Base Budget and Additional Resource Requests**

The combined impact of the base budget and the additional resource requests is illustrated below:

	2013	2014	2015	2016
Net Taxation Change	\$6.83m	\$7.45m	\$8.17m	\$9.31m
Avg. Residential Tax Rate Change	4.60%	4.70%	4.91%	5.33%
Avg. Residential Tax Bill Change	\$64	\$69	\$76	\$86

**Please note:** the sum of 2014 to 2016 base + ARR figures will not total to the above combined results. This is due to the exclusion of the ARR impacts on the levy in the base budget calculation.

## **BUDGET UPDATES**

The budgeting process is constantly evolving to the needs and requirements of departments, management, Council and residents. Detailed within this section are brief highlights to be aware of:

### **New Information**

The Draft 2013 Operating Budget and 2014-2016 Operating Plan is based on information at a point in time and new information may become available through deputations, staff items or Committee/Council decisions, as the budget process unfolds; for example, changes to the capital budget and associated operating budget implications. Adjustments will be consolidated into a final proposed operating budget and presented to the Community and Council at a public input session at the end of the process.

### **2013 Re-Assessment Year**

The Municipal Property Assessment Corporation (MPAC), a not-for-profit corporation funded by all Ontario municipalities, will complete a re-assessment program for Ontario properties, effectively starting the 2013 tax year. It is important to note that this process is revenue neutral for Vaughan and it does not provide the City with any additional revenue. Increases in assessment values will be phased in over 4 years and the properties that increase in line with the municipal average will not experience an assessment related increase. Should homeowners disagree with the new assessment value provided, MPAC offers a process for assessment reconsideration and failing that, residents can appeal MPAC decisions to the Assessment Review Board. More information on this process can be found at [www.mpac.ca](http://www.mpac.ca).

### Insurance Expense

On April 17<sup>th</sup>, 2012 Council adopted a change in insurance practice by moving from traditional insurance premiums to a reciprocal membership arrangement with OMEX. Although premium savings are evident, retroactive assessments are a factor of this arrangement and introduce a need for reserves to mitigate future retroactive assessment costs. Although there is a planned neutral impact, a reallocation of the insurance premium budget is required along with reporting adjustments. A report regarding insurance activity, experience and reserve levels will be provided on an annual basis beginning in early 2013, which will assist in the following year's budget process.

### Amortization vs. Budget Contributions

The City's Draft 2013 Operating Budget and 2014-2016 Operating Plan is developed excluding full amortization and post employment benefits. The costs and associated tax implications of budgeting for full amortization are significant. The main reasons for the funding differences are:

1. The majority of the City's assets are funded by the development industry, leaving the City to fund renewal costs at a much later date, primarily through taxation.
2. There is a surge in future post employment benefits caused by staffing requirements to service growth, who are eligible for post retirement benefits after 5 years of service.

Ontario Regulation 284/09 – "Budget Matters – Expenses" states that municipalities may exclude from annual budgets all or a portion of expenses for amortization, post-employment benefit expenses and solid waste landfill closure and post-closure expenses, but does require Council be informed of the above action including the estimated change in the year-end accumulated surplus and estimated impact of the excluded expenses on the municipal funding requirements. It is important to note these expenses are recognized and reflected in the City's annual financial statements, but they are not fully funded through the City's budget and tax levy.

#### Impact of Excluded Expenses/Estimated Change in Accumulated Surplus

<b><i>Funding vs. Amortization</i></b> <b><i>(In Millions)</i></b>	<b><i>2013 Budget</i></b> <b><i>Funding</i></b>	<b><i>2012</i></b> <b><i>Amortization</i></b>	<b><i>Gap</i></b>
<b><i>City Asset Renewal</i></b>	21.5	43.7	22.2
<b><i>City Post Employment Benefits</i></b>	1.1	11.1	10.0
<b>Combined</b>	<b>22.6</b>	<b>54.8</b>	<b>32.2</b>

- Excludes Water and Waste Water (Separate Process)
- Reporting on solid waste landfill closure and post-closure expenses is not applicable in Vaughan

As reported in many journals and articles, the above situation is consistent for most Canadian municipalities. Due to sound financial planning, Vaughan is in a strong financial position and ahead of most municipalities. To begin to address the forecasted capital asset renewal funding gap, the City has implemented several initiatives. For example, policies which limit the use of cash accumulated in reserve funds, policies regarding the transfer of annual operating surpluses to reserves and the recent adoption of life cycle based contributions for new assets. City staff continue to work on the infrastructure replacement challenge and have recently brought forward a Financial Master Plan, which includes an infrastructure financing strategy, which will continue to be discussed at future Finance and Administration Committee meetings.

## **Quick Facts**

The following information is provided for quick reference to assist in providing the public and Council members with a context within which to assess the Draft 2013 Operating Budget and 2014-2016 Operating Plan.

<b><u>Budget ( Base + ARRs)</u></b>	<b>2012</b>	<b>(Projected)</b>			
		<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Average residential assessment	\$ 485,122	\$ 517,000	\$ 551,000	\$ 587,000	\$ 626,000
Total taxes levied on the average assessed home					
***	4,551	4,615	4,684	4,759	4,759
City of Vaughan portion (26-27%)	1,232	1,296	1,365	1,440	1,440
City of Vaughan tax adjustment % on total taxes		1.4%	1.5%	1.6%	1.6%
Hospital Capital Levy on the avg. home	49	60	60	60	60
Reduction for qualifying seniors	313	328	343	359	377
A 1% increase in the tax rate generates	\$1.4m	\$1.484m	\$1.599m	\$1.684m	\$1.759m
Impact of a 1% increase on the average home	\$ 11.78	\$ 13.93	\$ 14.57	\$ 15.25	\$ 16.00
Assessment growth (projected)	3.10%	1.50%	3.00%	2.80%	2.80%
Tax Rate Increase		4.60%	4.70%	4.91%	5.33%

## **Draft 2013 Operating Budget and 2014-2016 Operating Plan Review**

The City of Vaughan continues to be subjected to many factors that place pressures on the property tax rate. Inherent in the annual operating budget process are the normal pressures of inflation, growth, staffing resources, external contract costs, collective agreements, fluctuating revenues etc. which are further compounded by expanding service requirements and tax funded infrastructure renewal cost impacts experienced by a high growth municipality. This situation presents challenges to achieving a balanced budget and maintaining service levels while minimizing associated tax rate increases and achieving Council's priorities. To assist the public and Council Members with understanding the challenges facing the City, and to assess the Draft 2013 Operating Budget and 2014-2016 Operating Plan, the remainder of the report is dedicated to reviewing the following budget components:

- A. *Base budget under the guidelines*
- B. *Base budget revenue review*
- C. *Base budget expenditure review*
- D. *Additional resource requests*

*The Attachment: Sections*

1. *Base Budget - Revenue & Expenditure Summary*
2. *Base Budget – Major Budget Change Summary*
3. *Base Budget – Full-Time Equivalents (FTE) Summary*
4. *Base Budget – Analysis & Other Information*
5. *Additional Resource Request*
6. *Business Plan Performance Measures*
7. *Corporate Budget Guidelines*
8. *Department Information*
  - o *Financial Summaries*
  - o *Business Plans*
  - o *Recommended ARRs*

## **A. Base Budget Under the Guidelines**

Based on the budget guidelines, the City's Draft 2013 Operating Budget and 2014-2016 Operating Plan and associated increases are reflected below:

	2013	2014	2015	2016
City's Expense Budget	\$237m	\$247m	\$254m	\$263m
Net Taxation Change	\$3.98m	\$3.92m	\$2.64m	\$5.69m
Avg. Residential Tax Rate Change	2.68%	2.45%	1.57%	3.24%

The above Draft 2013 Operating Budget and 2014-2016 Operating Plan includes \$2.8m subsidization from the Tax Rate Stabilization Reserve and anticipates a \$2.5m surplus carried forward from previous years. This is consistent with prior year Council direction. The above also includes user fee increases, which will be the subject of a report at a later date. However, the base budget figures **exclude any** budget changes associated with the recommended additional resource requests. These are discussed later in the report.

The budget guidelines were designed to restrict expenditure increases and this process has been successful as demonstrated by the 1.8% average departmental annual expense increase over the four year plan. Incorporating corporate pressures raises the total average expense increase over the plan to 3.95%. Specific annual increases are illustrated in section 1 of the attachment - *Base Budget - Revenue & Expenditure Summary*.

In general, account budgets remained at prior year budget levels with the exception of established commitments and pre-defined external pressures as defined by the approved budget guidelines. In order to check adherence to the guidelines, budget submissions were verified to ensure increases were consistent with budgetary guidelines. Through budget submission reviews and assurances from Commissioners and Directors, there is a very high level of confidence that approved guidelines were followed.

### ***Considering Factors Other Than CPI When Assessing the Budget***

When assessing the Operating Budget, it is very important to put municipal cost increases into perspective. It is very common for stakeholders to gauge a municipality's performance against the Consumer's Price Index (CPI), but there are 2 inherent pitfalls with this comparison:

1. Inflation rates capture cost increases and do not incorporate non-cost related factors associated with a municipality such as growth, infrastructure repair, new services or initiatives, legislative requirements, revenue fluctuations, etc. These are in addition to CPI.
2. CPI is intended to measure the cost increases experienced by the typical Canadian household and includes retail items such as food, clothing, entertainment and other household purchases. Unlike an average Canadian household, municipal expenses are very labour, contract, and material intensive. An alternative approach would be to use a ***Municipal Price Index (MPI)*** based on applying relevant indices/indicators to the weighting of major expense categories.

Component	Inflation Figure	Source	Scenario #1		Scenario #2	
			% of Budget	Weighted Average	% of Budget	Weighted Average
Salaries and Benefits	3.0% 1.7%	CoV settlement agreements Ministry of Labour	57.5%	1.7%	57.5%	1.0%
Labour Sub total				1.7%		1.0%
Contracts and Materials	5.1%	5 yr Average Historical Increase	15.5%	0.8%	15.5%	0.8%
Utilities and Fuel	0.8%	Stat's Can. Aug, 2012 - Energy CPI	3.8%	0.0%	3.8%	0.0%
All Other	1.3%	Core Inflation - Sept. 2012	18.2%	0.2%	18.2%	0.2%
Other Sub total				1.1%		1.1%
Capital Funding	3.2%	Construction Price Index	3.0%	0.1%	3.0%	0.1%
Insurance	5.0%	AMO - 2011 municipapl white paper	2.0%	0.1%	2.0%	0.1%
Corporate Sub total				0.2%		0.2%
<b>Combined Municipal Price Index</b>				<b>3.0%</b>		<b>2.2%</b>

The City's base budget expenditures are increasing by 4.8% in 2013, 4.5% in 2014, 2.8% in 2015 and 3.6% in 2016. Although comparable to the MPI, embedded in these figures are non-price related increases associated with contract/utility growth, increases in infrastructure funding, etc. Removing these items from the presented overall expenditure would yield increases of 2.9% for 2013, 2.4% for 2014, 2.3% for 2015 and 1.8% for 2016. Total City expenditure increases are all within the municipal price index range clearly signalling Vaughan is managing its finances and exceeding industry ranges.

### ***Major Base Budget & Tax Rate Change***

Approximately 50% of the City's expense increase is attributable to changes to support the City's workforce, including collective and management agreement requirements. An additional quarter of the increase is related to external service contracts, insurance and utilities (e.g. increases in snow removal, waste management, electricity, insurance premiums, etc.). These services are generally contracted, competitively tendered and awarded to the lowest bidder. The remaining portion is largely a result of the City's growing capital program and infrastructure requirements.

To assist the Committee in assessing the Draft 2013 Operating Budget and 2014-2016 Operating Plan resulting from the budget guidelines, the following summary is provided below:



	2013		2014		2015		2016	
	Tax Rate		Tax Rate %		Tax Rate %		Tax Rate %	
<b>Expenses</b>	\$ Change	% Change	\$ Change	Change	\$ Change	Change	\$ Change	Change
Benefits & Other adj	1,744,000	1.17%	657,128	0.42%	869,036	0.53%	331,236	0.20%
Progression/Job Eval/Adj	700,000	0.47%	837,372	0.53%	452,564	0.27%	271,764	0.16%
Eco adj (Union & Mgmt)	360,000	0.24%	-	0.00%	-	0.00%	-	0.00%
Fire (Progression/Retention)	270,000	0.18%	264,000	0.17%	144,000	0.09%	41,000	0.02%
FT Contract reductions		0.00%	(361,500)	-0.23%	(396,600)	-0.24%	-	0.00%
<b>Subtotal</b>	<b>3,074,000</b>	<b>2.07%</b>	<b>1,397,000</b>	<b>0.89%</b>	<b>1,069,000</b>	<b>0.65%</b>	<b>644,000</b>	<b>0.39%</b>
Contingency	2,612,000	1.76%	3,349,000	2.13%	3,464,000	2.09%	3,569,000	2.16%
<b>Subtotal</b>	<b>5,686,000</b>	<b>3.83%</b>	<b>4,746,000</b>	<b>3.02%</b>	<b>4,533,000</b>	<b>2.74%</b>	<b>4,213,000</b>	<b>2.55%</b>
Contracts	1,110,823	0.75%	865,464	0.55%	1,074,649	0.65%	1,096,361	0.66%
Insurance	500,000	0.34%	-	0.00%	-	0.00%	410,263	0.25%
Utilities (excl. Carrville C.C.)	238,000	0.16%	405,700	0.26%	440,400	0.27%	471,528	0.29%
Recreation (excl. PT labour)	442,700	0.30%	269,285	0.17%	149,676	0.09%	104,631	0.06%
Carrville C.C. (B&F)	-	0.00%	-	0.00%	-	0.00%	1,445,500	0.87%
<b>Subtotal</b>	<b>2,291,523</b>	<b>1.54%</b>	<b>1,540,449</b>	<b>0.98%</b>	<b>1,664,725</b>	<b>1.01%</b>	<b>3,528,283</b>	<b>2.13%</b>
LTD net	1,461,924	0.98%	1,550,000	0.99%	1,500,000	0.91%	1,500,000	0.91%
Reserve Contributions	686,000	0.46%	577,000	0.37%	716,629	0.43%	1,292,961	0.78%
Capital from Taxation	489,472	0.33%	-	0.00%	-	0.00%	-	0.00%
<b>Subtotal</b>	<b>2,637,396</b>	<b>1.78%</b>	<b>2,127,000</b>	<b>1.35%</b>	<b>2,216,629</b>	<b>1.34%</b>	<b>2,792,961</b>	<b>1.69%</b>
Tax Adjustments	425,000	0.29%	525,000		(275,000)	-0.17%	(175,000)	-0.11%
Other	(396,254)	-0.27%	69,588	0.04%	(79,315)	-0.05%	211,086	0.13%
<b>Total Expense Change</b>	<b>10,643,665</b>	<b>7.17%</b>	<b>9,008,037</b>	<b>5.74%</b>	<b>8,060,039</b>	<b>5.75%</b>	<b>10,570,330</b>	<b>7.54%</b>

The above changes in the City's expenditures are partially offset by limited revenue streams, primarily user fees, reserve funding, assessment growth and other sources. Any shortfall between City revenues and expenses are funded through taxation increases. Summarized below are the major changes in revenue streams and associated net change on taxation.

	2013		2014		2015		2016	
	Tax Rate		Tax Rate %		Tax Rate %		Tax Rate %	
<b>Revenues</b>	\$ Change	% Change	\$ Change	Change	\$ Change	Change	\$ Change	Change
<b>Decrease in Revenues</b>								
Investment Income	(250,000)	-0.17%	(250,000)	-0.16%	(250,000)	-0.15%	(250,000)	-0.15%
Fleet Management Reserve	(121,373)	-0.08%	(121,374)	-0.08%	-	0.00%	-	0.00%
<b>Sub total</b>	<b>(371,373)</b>	<b>0.07%</b>	<b>(371,374)</b>	<b>-0.24%</b>	<b>(250,000)</b>	<b>-0.15%</b>	<b>(250,000)</b>	<b>-0.15%</b>
<b>Increase in Revenues</b>								
Supplemental	1,500,000	1.01%	(1,500,000)	-0.96%	-	0.00%	-	0.00%
Recreation	904,000	0.61%	339,000	0.22%	349,000	0.21%	359,000	0.22%
Water & Wastewater Recovery	723,790	0.49%	41,000	0.03%	42,000	0.03%	57,900	0.04%
Bldg. Standards Continuity Res.	559,000	0.38%	(82,000)	-0.05%	48,000	0.03%	(149,000)	-0.09%
Engineering Reserve	254,000	0.17%	100,000	0.06%	(100,000)	-0.06%	-	0.00%
Building Standards User Fees	42,500	0.03%	170,152	0.11%	165,354	0.10%	179,590	0.11%
User Fees & Service Charges	486,235	0.33%	236,597	0.15%	84,479	0.05%	184,381	0.11%
Development Planning User Fees	214,000	0.14%	484,000	0.31%	111,000	0.07%	160,000	0.10%
Fines & Penalties	100,000	0.07%	100,000	0.06%	-	0.00%	-	0.00%
Hydro Dividends	-	0.00%	1,150,000	0.73%	375,000	0.23%	(375,000)	-0.23%
Other	59,059	0.04%	(190,449)	-0.12%	36,538	0.02%	(86,878)	-0.05%
<b>Sub total</b>	<b>4,842,584</b>	<b>3.26%</b>	<b>848,300</b>	<b>0.54%</b>	<b>1,111,371</b>	<b>0.67%</b>	<b>329,993</b>	<b>0.20%</b>
<b>Sub-total Revenue Change</b>	<b>4,471,211</b>	<b>3.01%</b>	<b>476,926</b>	<b>0.32%</b>	<b>861,371</b>	<b>0.58%</b>	<b>79,993</b>	<b>0.05%</b>
Assessment growth	2,193,640	1.48%	4,608,217	2.94%	4,555,340	2.75%	4,800,377	2.90%
<b>Total Revenue Change</b>	<b>6,664,851</b>	<b>4.49%</b>	<b>5,085,143</b>	<b>3.24%</b>	<b>5,416,711</b>	<b>3.27%</b>	<b>4,880,370</b>	<b>2.95%</b>
<b>Net Funding Requirement</b>	<b>3,978,814</b>	<b>2.68%</b>	<b>3,922,894</b>	<b>2.45%</b>	<b>2,643,328</b>	<b>1.57%</b>	<b>5,689,960</b>	<b>3.24%</b>
<b>1% tax increase</b>	<b>1,484,363</b>		<b>1,569,875</b>		<b>1,654,159</b>		<b>1,727,649</b>	

Note: Total Revenue Change amounts do not match previous reports as reserve transfers for long term debt, insurance and elections were netted out.

*A more detailed schedule is provided in the attachment under Section 2 – Base Budget Major Budget Change Summary*

## **B. Base Budget Revenue Review**

	2013		2014		2015		2016	
	Budget	Change	Budget	Change	Budget	Change	Budget	Change
Base Budget Revenues	\$ 81,868,559	\$ 4,837,983	\$ 83,936,409	\$ 2,067,850	\$ 83,593,901	\$ (342,508)	\$ 82,269,090	\$ (1,324,811)

The above figures exclude any impact associated with assessment growth. Further information regarding specific revenue adjustments are provided below:

#### Supplemental Taxation

	2013		2014		2015		2016	
	Budget	Change	Budget	Change	Budget	Change	Budget	Change
Supplementals	\$ 5,500,000	\$ 1,500,000	\$ 4,000,000	\$ (1,500,000)	\$ 4,000,000	\$ -	\$ 4,000,000	\$ -

Supplemental taxation is generated from additional assessment forwarded to the City from Municipal Property Assessment Corporation (MPAC) over the course of the year, and is primarily a result of new construction. It should also be noted, that assessment growth is well under historical levels, due to the MPAC's focus on reassessment activities, resulting in lower assessment growth figures across the GTA. The City has taken a proactive mitigation approach by adjusting supplemental taxation up by \$1.5M to partially cover the shortfall. As reflected in 2014, supplemental taxation is expected to decrease by \$1.5M as assessment processing is caught up and assessment growth figure return to recent trends. Given the current uncertain economic climate and MPAC's inconsistency in processing assessment, Committee/Council is cautioned of the risk that the City's mitigation plan is dependant MPAC's processing performance.

#### Funding from Reserves:

	2013		2014		2015		2016	
	Budget	Change	Budget	Change	Budget	Change	Budget	Change
Funding from Reserves	\$ 18,252,638	\$ 1,799,948	\$ 19,584,204	\$ 1,331,566	\$ 18,380,477	\$ (1,203,727)	\$ 16,794,849	\$ (1,585,628)

#### 2013 increase of \$1.8M:

- The Water & Wastewater recovery increased by \$724K to reflect activities between the City and Water/Waste Water services. Most of this increase was a result of the insurance allocation process changed in 2012.
- Debenture payment reserve withdrawals increased by \$597K to smooth increases in previously approved debenture payments.
- There is also a \$559K increase in the Building Standards reserve, to neutralized the Building Standards full costing gap, as per policy.
- Engineering reserve increased by \$272K to reflect associated expense increases.
- The Election reserve increased by \$270K to cover tabulator leases and other operating expenses reflected in Council Item January 31, 2012. There is no impact on the budget as there is an associated increase in expenses.
- The above increases were offset by the following phasing plans:
  - Insurance policy reserve funding final year of phasing plan, \$500K
  - Fleet management reserve funding 2014 phasing plan, \$121K.

#### Changes from 2014 to 2016:

- The largest component of future budget increases are related to additional funding from the debenture reserve to smooth increases in debenture payments. Budget withdrawals are planned to peak in 2014 then decline as debentures stabilize. The overall net impact on the budget is \$1.5m per year.
- An election is scheduled for 2014; as a result associated expenses are planned which are neutralized by corresponding reserve withdrawals \$269k in 2013, \$755K in 2014. In 2015, the withdrawal is removed. It is anticipated, that a report on the election process will be coming forward later in the budget process.
- In 2014, a decrease in funding from the Fleet Management reserve of \$121K to complete the phasing plan.
- In 2014, a decrease of \$112K in funding from DC Management Studies, as additional contracted resources to support the Official Plan will no longer be required.
- Budget changes in Engineering, Building Standards and Water/WasteWater recoveries services were a result of activity, departmental cost changes and anticipated growth trends. The total adjustments amounted to \$10K in 2014, \$50K in 2015 and \$86K in 2016.

#### User Fees / Service Charges

	2013		2014		2015		2016	
	Budget	Change	Budget	Change	Budget	Change	Budget	Change
Fees/Charges/Recoveries	\$ 37,810,343	\$ 1,604,235	\$ 39,040,092	\$ 1,229,749	\$ 39,749,925	\$ 709,833	\$ 40,632,896	\$ 882,971

#### Major Budget Adjustments

- The largest component of the budget increases are in the Recreation Department due to the climbing demand for services, general price increases and York Region transit ticket sales. It should be noted that these increases are largely offset by similar expenditure value increases. Revenue increases related to recreation are \$904K for 2013, \$339K in 2014, \$349K in 2015 and \$359K in 2016.
- The second largest component of the budget increases are related to an anticipated increase in planning activity. The majority of the 2013 increase is related to site plan agreements, which have been adjusted to better reflect past performance. In addition, development activity is anticipated within the Vaughan Metropolitan Centre, Carville, Concord and Thornhill development areas. Based on the above, planning revenues are anticipated to increase \$214K for 2013, \$484K in 2014, \$111K in 2015 and \$160K in 2016.
- Enforcement revenues also increased to reflect general price and volume estimates. The 2013 budget increase is larger than future years to reflect historical performance. Budget increases are \$91K for 2013, \$41K in 2014, \$17K in 2015, and \$1K in 2016.
- The remainder of the increases were in Engineering Services, Public Works, Parks and Forestry Operations etc.
- There were also minor decreases in revenue in Legal Services, cemeteries and Economic Development to reflect actual trends.

### *User fee Increases Included in the Above*

A concern that revenue might not keep pace was anticipated and as a result the guidelines included a requirement for all user fees and service charges to be increased in relation to department cost increases and, at minimum, by the rate of inflation.

New: Most of the City's fees/charges are based on existing studies and multi-year by-laws and therefore prior year budget guidelines focused only on the General User Fee By-law, which captures a variety of minor/miscellaneous items. However, with the emergence of multi-year planning and varying by-law intervals/expiry dates, it is of great benefit to coordinate and consolidate the planning of these by-laws for review, update and budget approval under one common process (i.e. Planning, Engineering, Building Standards, Licensing, Recreation, etc.).

The impact associated with fee by-laws price increases are as follows:

By-Law	Dept/Desc	2012	2013				2014				2015				2016			
		Budget	Budget	Variance			Budget	Variance			Budget	Variance			Budget	Variance		
				\$	%		\$	%		\$	%		\$	%		\$	%	
13-2012	Multiple Departments	2,570,153	2,758,856	188,703	7.3%	2,839,295	80,439	2.9%	2,915,172	75,877	2.7%	2,996,899	81,727	2.8%				
48-2011	Development Planning	3,183,642	3,395,646	212,004	6.7%	3,878,772	483,126	14.2%	3,988,950	110,178	2.8%	4,148,116	159,166	4.0%				
2-2010	Enforcement/Animal Licens.	45,600	45,600	-	0.0%	45,600	-	0.0%	58,100	12,500	27.4%	58,100	-	0.0%				
177-2011	Clerks/Licensing	930,840	981,868	51,028	5.5%	1,036,224	54,356	5.5%	1,093,400	57,176	5.5%	1,154,136	60,736	5.6%				
370-2004	Clerks/Perm. Spec. Events	14,625	15,715	1,090	7.5%	16,843	1,128	7.2%	18,009	1,166	6.9%	19,235	1,226	6.8%				
371-2004	Clerks/Perm. Filming Events	10,750	5,120	(5,630)	-52.4%	34,846	29,726	580.6%	35,644	798	2.3%	36,442	798	2.2%				
372-2004	Clerks/Perm. Newspaper boxes	5,250	5,355	105	2.0%	5,460	105	2.0%	5,565	105	1.9%	5,670	105	1.9%				
TOTAL		6,760,860	7,208,160	447,300	6.6%	7,857,040	648,880	9.0%	8,114,840	257,800	3.3%	8,418,598	303,758	3.7%				

Although the impacts are incorporated into the draft budget, a separate report on user fees and specific fee increases will be presented to Council for review, deliberation and approval. Any further adjustments resulting from these discussions will be captured in future budget updates.

### *User Fees and Cost Recovery*

It is important to recognize that there is an ongoing balance between funding through a fee for specific user based services versus funding City services through the general tax rate. To the extent there is a user fee, that fee should be adjusted annually to reflect changes in the cost of delivering the service; otherwise, by default, there would be a requirement to fund cost increases through the property tax rate.

Approximately 90% of the City's user fees are generated by the following 5 areas:

- Recreation
- Building Standards
- Planning and Committee of Adjustment (COA)
- Enforcement Services
- Licensing

As a result, the majority of the above departments have conducted various fee studies. Some studies resulted from legislative requirements and others were staff-initiated in-depth studies, resulting in the development of cost recovery policies, principals and targets endorsed by Council. In addition, various benchmarking comparisons have been performed by departments and external consultants indicating Vaughan's recovery targets are on-par or better than neighbouring municipalities. Detailed below is a summary of department and estimated full cost recovery ratios for these areas:

2013 Department Budgeted Recovery (Figures in Thousands)	Recreation	Licensing	Enforc. Services	Planning	COA	Building Standards (OBC)	Building Standards (Non-OBC)
Revenues	\$ 18,632	\$ 1,121	\$ 2,318	\$ 3,413	\$ 474	* \$ 9,049	\$ 471
Expenditures	19,778	638	5,245	3,029	577	5,413	624
<b>Subsidy/(Surplus)</b>	<b>1,146</b>	<b>(483)</b>	<b>2,927</b>	<b>(384)</b>	<b>103</b>	<b>(3,635)</b>	<b>153</b>
<b>2013 Dept Budget Recovery Ratio</b>	<b>94%</b>	<b>176%</b>	<b>44%</b>	<b>113%</b>	<b>82%</b>	<b>167%</b>	<b>76%</b>
2014 Dept Budget Recovery Ratio	95%	191%	44%	127%	87%	167%	79%
2015 Dept Budget Recovery Ratio	96%	199%	44%	130%	93%	164%	78%
2016 Dept Budget Recovery Ratio	95%	210%	44%	135%	99%	167%	84%
Memo: 2012 Dept. Budget Recovery Ratio	92%	170%	45%	111%	73%	144%	72%
Full Cost Estimate (ABC Model)	** \$ 42,466	\$ 1,587	\$ 5,034	\$ 5,639	\$ 1,159	\$ 9,049	1,687
<b>Subsidy/(Surplus)</b>	<b>23,834</b>	<b>465</b>	<b>2,716</b>	<b>2,226</b>	<b>685</b>	<b>0</b>	<b>1,216</b>
<b>2013 Full Cost Recovery Ratio</b>	<b>44%</b>	<b>*** 71%</b>	<b>46%</b>	<b>61%</b>	<b>41%</b>	<b>100%</b>	<b>28%</b>
2014 Full Cost Budget Recovery Ratio	45%	76%	47%	69%	42%	100%	29%
2015 Full Cost Budget Recovery Ratio	44%	79%	47%	70%	43%	100%	37%
2016 Full Cost Budget Recovery Ratio	44%	82%	46%	71%	44%	100%	39%
Memo: 2012 Full Cost Budget Recovery Ratio	44%	72%	49%	63%	42%	100%	36%
<b>Policy Recovery Goal</b>	95% Dept. Cost	100% Full Cost		100% Full Cost	100% Full Cost	100% Full Cost	

\* Building Standards revenues include a draws from Building Standards Continuity Reserve of \$1.6M in 2013, \$1.5M in 2014&15, and \$1.3M in 2016.

\*\* Recreation Building & Facility costs approximately \$17.3M in 2013, \$17.5 in 2014, \$18.7 in 2015 and \$19.2M in 2016.

\*\*\* Licensing full cost recovery illustrated is lower than 100% due a portion of the department being devoted to risk management and fee restrictions applied to certain licensing activities (e.g. lottery, livestock).

As illustrated above, a number of areas are “below policy recovery goals”. Achieving these goals, would increase revenue and associated tax requirements by approximately \$3m. Resetting the above targets to full cost recovery could potential generate \$30M in additional revenues. Although the above chart illustrates a recovery gap and an opportunity is present, caution is advised when setting fees and recovery targets. There is a need to balance price increases with service demand, process compliance and local competition.

Overall most areas are recovering more than 75% of their department budgets and projected recovery targets remain stable with some isolated exceptions. It should be noted that most labour agreements expire in early 2013 and costs associated with agreement renewals are not incorporated in the above department expenses making planned recovery targets mildly optimistic. Illustrated below are brief comments related to each of the above sections. .

- Building Standards continues to maintain a 100% building code full cost recovery target for OBC revenues, with a draw from the Building Standards Service Continuity Reserve in anticipation of lower volumes created by the slow economic recovery. The total draw from the reserve for the four years is forecasted to be \$5.9M.
- Licensing also continues to achieve their target of recovering business licensing full costs. It should be noted, the department’s full cost recovery illustrated is lower than 100% due to a portion of the department being devoted to risk management and some licensing fee restrictions are applied to lottery, livestock and other licenses. Planned recovery targets are not anticipated to fall below 2013 projections, despite the lack of post 2013 labour agreement impacts.
- Recreation is planning to recover 95% of their departmental costs by 2014. Presented targets are mildly optimistic as future cost increases associated with labour agreement renewals are not included and could reduce the planned recovery to a figure slightly below their policy target of 95%.
- Enforcement Services is planning to recover 44% of their departmental costs. It should be noted that a recovery policy is not in place for enforcement services, as this service is driven by compliance.

- Planning full cost recovery is steadily climbing from 61% in 2013 to a planned 71% in 2016, which is a great improvement over past budgets.
- COA recovery targets are increasing slightly from 41% in 2013 to 44% in 2016.

### Corporate Revenues

	2013		2014		2015		2016	
	Budget	Change	Budget	Change	Budget	Change	Budget	Change
Corporate Revenues	\$ 17,660,378	\$ (66,200)	\$ 18,666,913	\$ 1,006,535	\$ 18,818,299	\$ 151,386	\$ 18,196,145	\$ (622,154)

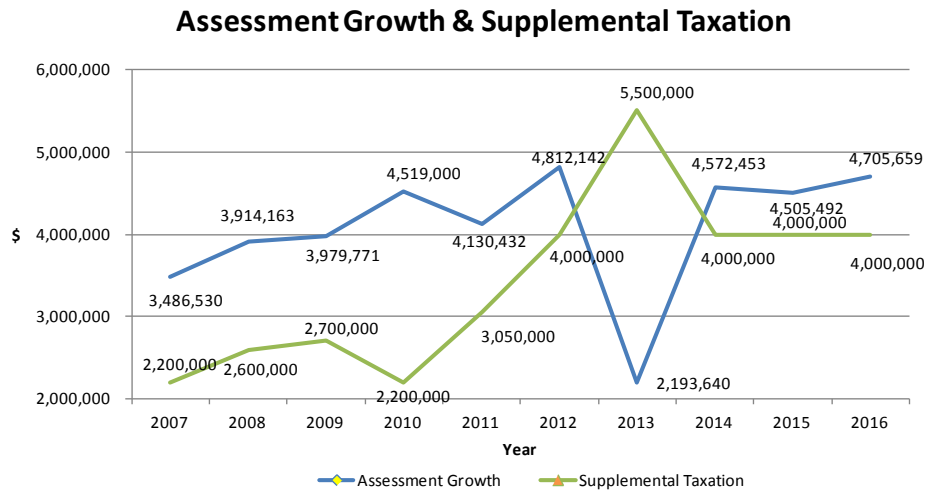
### Major Budget Adjustments

- PowerStream Dividends – A revised forecast was recently provided indicating no change for 2013, but anticipated dividend increases in 2014 of \$1.25M, 2015 of \$375K and a drop in 2016 of \$375K. It should be noted that these figures are optimistic and subject to change as a result of rate discussion with the Ontario Energy Board. It should also be noted the revised forecast resulted in a 2013 revenue reduction of \$1m.
- Investment Income – As discussed last year, there is a need to change the methodology used to allocate investment income between the operating budget and reserve accounts. As a result, investment income allocated to the operating budget is phased down by \$250K per year over the term of the plan from \$3m to \$2m. Investment income is also challenged by low interest rates, which are replacing maturing higher yield investments.
- Fines and Penalties – The corporate fines and penalty budget increased by \$100K in 2013 to better reflect actual historical trends experienced. This budget is expected to increase by \$100K in 2014 due to the current economic climate and stabilize through 2016.
- The remaining budget year differences consist of relatively minor budgets and changes.

	2013 Variance	% Change	Tax Rate Impact	2013 Variance	% Change	Tax Rate Impact	2013 Variance	% Change	Tax Rate Impact	2013 Variance	% Change	Tax Rate Impact
Fines And Penalties	100,000	2.1%	0.1%	100,000	2.0%	0.1%	0	0.0%	0.0%	0	0.0%	0.0%
Tax Certificates And Documents	33,800	7.2%	0.0%	5,035	1.0%	0.0%	24,841	4.9%	0.0%	1,256	20.0%	0.0%
Investment Income	(250,000)	-8.3%	-0.2%	(250,000)	-9.1%	-0.2%	(250,000)	-10.0%	-0.2%	(250,000)	-11.1%	-0.1%
Hydro Investment Income	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%
Hydro Dividends	0	0.0%	0.0%	1,150,000	26.0%	0.7%	375,000	6.7%	0.2%	(375,000)	-6.3%	-0.2%
Provincial Offenses Act	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%
Miscellaneous Revenue	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%
Purchasing	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%
Cashiering Services	50,000		0.0%	1,500	3.0%	0.0%	1,545	3.0%	0.0%	1,590	3.0%	0.0%
Capital Admin. Revenue	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%
<b>TOTAL CORPORATE REVENUE</b>	<b>(66,200)</b>	<b>0.0%</b>	<b>0.0%</b>	<b>1,006,535</b>	<b>5.7%</b>	<b>0.6%</b>	<b>151,386</b>	<b>0.8%</b>	<b>0.1%</b>	<b>(622,154)</b>	<b>-3.3%</b>	<b>-0.4%</b>

## Assessment Growth

It should also be noted, 2013 assessment growth is well under historical levels, due to the Municipal Property Assessment Corporation's (MPAC) focus on reassessment activities, resulting in lower assessment growth figures across the GTA. The City has taken a proactive mitigation approach by adjusting 2013 supplemental taxation and assuming traditional assessment growth figures will return in 2014 to 2016. However, there is still a 2013 opportunity loss in the magnitude of \$1.1m, which will hopefully be recovered in future years. Below is an illustration of the above situation.



Supplemental and assessment taxation revenue, although not specifically allocated, help offset the increasing service costs associated with community growth. To illustrate this point, each year City additions are made to:

- Roads
- Sidewalks
- Waste/recycling stops
- Streetlights
- Parkland
- Trails
- Libraries
- Fire operations, etc.

All the above additions require funds to operate and maintain service levels. Included in the Draft 2013-2016 Operating Plan are estimates for staffing, contracts, utilities and associated renewal costs supporting growth. Below are a few items that are indirectly funded through assessment growth.

- Contract and utility volume increases - Ranges between \$700K - \$1,200K
- Infrastructure renewal - As a City grows infrastructure is added, which is initially funded by the development industry, with replacement costs borne by the City at a later date. Additional funding associated with these costs averages \$2.5m per year over the next 4 years.
- Additional Resource Requests- typically \$1.5M - \$2M are approved each year to service growth i.e. fire engines, community centers, parks, etc.

### C. Base Budget Expenditure Review

As illustrated in the Revenue and Expense Summary in Section 1 of the Attachment, the City's expense budget changed as follows:

	2013		2014		2015		2016	
	Budget	Change	Budget	Change	Budget	Change	Budget	Change
Base Budget Expenditures	\$236,783,646	\$ 11,010,437	\$247,346,843	\$ 10,563,197	\$254,153,155	\$ 6,806,312	\$263,223,963	\$ 9,070,808

#### ***Departmental Expenditures***

	2013		2014		2015		2016	
	Budget	Change	Budget	Change	Budget	Change	Budget	Change
Department Expenditures	\$205,562,378	\$ 4,818,176	\$208,505,026	\$ 2,942,648	\$211,267,722	\$ 2,762,696	\$215,708,788	\$ 4,441,066

#### 2013 increase of \$4.8M, including the \$244K Library Board increase:

This represents an increase of 2.4% over the 2012 departmental budget, and largely due to the following items:

- Of the total departmental budget increase, \$3.1M is related to changes in support of the City's workforce consisting of the following:
  - \$1.4M in progressions, full year impact of economic adjustments, as per established agreements, job-evaluations, 3/6/9 fire retention, market adjustments etc.
  - \$1.4M increase in benefits due to additional complement, economic adjustments, and benefit rate increases caused by increasing OMERS contributions and EI/ CPP thresholds.
  - \$0.3M increase in part time due to a reallocation from full time to reflect correct complement and a small increase related to recreation program activities.
  - It should be noted that a number of labour agreements expire in early 2013 and therefore increases are not represented in these figures.
- \$1.1M relates to pressures from contracted services and materials and supplies. These increases are the result of growth demands and industry price obligations. Overall, contract service lines increased by 3.1% and relate to winter control, ITM services, waste management etc.
- A \$238K increase in utilities due to rising prices and more buildings as permitted in the approved budget guidelines.
- A \$147K increase in YRT ticket purchases to match historical trends. There is an associated revenue increase to incorporate the City's commissions.
- The remaining increases are minor and in various other accounts.

#### Changes from 2014 to 2016

***The City's Workforce:*** The increases in the department budgets continue to be related to the City's workforce. Even with most labour agreements expiring in early 2013, pressures associated with benefits, progressions, job-evaluations, etc continue to add about \$1M annually. The largest driver behind these increases are growing benefit rates caused by increasing OMERS contributions and EI/ CPP thresholds. Post agreement labour estimates are planned for in corporate contingency along with other uncertain events.

***Contracts:*** The second largest component of the 2014-2016 department expenditure increases is related to contract services, \$865K in 2014, \$1,074K in 2015. For 2016, there is an increase of \$1,096K plus \$702K in maintenance contracts for Carrville Community Centre. These increases



are typically the result of increasing demands for services due to growth and industry price obligations. Overall contract service lines increased by 2.3% in 2014, 2.8% in 2015 and 4.7% in 2016 mainly relating to waste management, winter control, maintenance contracts, ITM services, etc.

**Utilities:** The third largest component of the 2014-2106 department expenditure increases is related to utilities, \$540K in 2014 and \$307K in 2015. For 2016, there is an increase of \$472K plus \$743K for Carrville Community Centre. Overall utility increased by 5.1% in 2014, 5.2% in 2015 and 13.7% in 2016. These increases are typically the result of increasing volumes and industry price expectations as permitted in the guidelines.

The remaining balance consists of relatively minor increases in multiple accounts.

Explanations for Department Budget Changes in excess of \$100K are provided in the attachment under Section 4 – Base Budget Analysis & Other Information and Section 8 – Department Information.

### **Reserve Contributions and Corporate Expenditures**

Reserve contributions and corporate expenditures contributed to the remaining City expenditures, which required the following adjustments:

	2013 Variance	% Change	Tax Rate Impact	2014 Variance	% Change	Tax Rate Impact	2015 Variance	% Change	Tax Rate Impact	2016 Variance	% Change	Tax Rate Impact
Contingency	2,611,948	165.8%	1.8%	3,348,843	80.0%	2.1%	3,463,835	46.0%	2.1%	3,569,093	32.4%	2.1%
Long Term Debt	2,059,062	16.6%	1.4%	2,350,000	16.3%	1.5%	1,000,000	6.0%	0.6%	0	0.0%	0.0%
Reserve Contributions	686,361		0.5%	577,086	9.8%	0.4%	716,629	11.1%	0.4%	1,292,961	18.1%	0.7%
-Parks Infrastructure	245,134	68.7%	0.2%	347,036	57.7%	0.2%	353,977	37.3%	0.2%	361,057	27.7%	0.2%
-Post 1998 Bldg & Facilities	141,286	10.7%	0.1%	59,112	4.1%	0.0%	105,294	7.0%	0.1%	782,400	48.3%	0.5%
-Fire & Rescue	148,495	12.6%	0.1%	71,464	5.4%	0.0%	140,894	10.1%	0.1%	30,712	2.0%	0.0%
-Additional Vehicle	116,319	176.3%	0.1%	63,646	34.9%	0.0%	79,919	32.5%	0.0%	81,517	25.0%	0.0%
-Other Reserve Contrib.	35,127			35,828			36,545			37,275		
Capital from Taxation	489,472	5.4%	0.3%	0		0.0%	0		0.0%	0		0.0%
Corporate Expenditures	345,417	-34.5%	0.2%	1,344,620	-205.5%	0.9%	(1,136,847)	-164.7%	-0.7%	(232,313)	52.0%	-0.1%
-Tax Adjustments	425,000	26.6%	0.3%	525,000	25.9%	0.3%	(275,000)	-10.3%	-0.2%	(175,000)	-7.7%	-0.1%
-Election	269,634		0.2%	755,160	280.1%	0.5%	(753,727)	-73.5%	-0.5%	478	0.2%	0.0%
-Joint Service Agreement	(144,827)	-24%	-0.1%	10,660	2.4%	0.0%	10,980	2.4%	0.0%	11,309	2.4%	0.0%
-Anticipated Labour Savings	(130,000)	3%	-0.1%	5,000	0.1%	0.0%	(65,000)	1.6%	0.0%	(50,000)	1.2%	0.0%
-Other Corporate Exp.	(74,390)		-0.1%	48,800			(54,100)			(19,100)		
<b>Total Reserve Contributions &amp; Corporate Expenditures</b>	<b>6,192,260</b>		<b>4.2%</b>	<b>7,620,549</b>		<b>4.9%</b>	<b>4,043,617</b>		<b>2.4%</b>	<b>4,629,741</b>		<b>2.7%</b>

Explanations for the budget changes are as follows:

#### **2013 Increase of \$6.1M:**

- The City's contingency budget increased by \$2.6M and relates to future labour agreement negotiations and certain foreseeable events. Once the outcomes of these events are determined, balances will be reallocated to the appropriate department budgets.
- Long term debt payments increased by \$2.1M primarily to fund major road projects, as per the roads program. Debenture reserve funding was used to smooth this cost. When combined, the net impact is \$1.5M for the year.
- Infrastructure Reserve contributions increase by \$686K, as per policy to support the replacement of community buildings, vehicles, parks, etc. Contributions are based on new asset life cycle contributions.
- Capital from taxation increased by \$489k to support the capital program and associated initiatives.

- Corporate Expenditures increased by \$345K and are attributable to the following:
  - Tax adjustments increased by \$425K due to economic conditions and in anticipation of challenges related to the 2012 MPAC re-assessment.
  - Election costs increase by \$270K to reflect tabulator leases and complement. The net impact is zero as there is an associated funding from the election reserve.
  - The above items were partially offset by
    - A \$130K increase in anticipated labour savings to maintain the historical churn and gapping levels.
    - Joint service agreement expenses decreased by \$145K as a result of bringing cashiering services in house. The overall net impact is a savings of \$45K.
    - The net balance is associated with changes in bank charges, professional fees, sundry, AMO membership, etc.

#### 2014 to 2016 Changes

**City Contingency** - The City's contingency account relates to future labour agreement negotiations and certain foreseeable events. Once the outcomes of these events are determined, balances will be reallocated to the appropriate department budgets. Planned budget increases are \$3.3M, 3.5M and \$3.6M respectively.

**Long-term Debt** - The repayment of long term debt is estimated to increase by \$2.4M and \$1M in 2014 and 2015, respectively, primarily to fund major road projects as per the road program. Debenture reserve funding increased by \$0.8K in 2014 and decreases by \$500K and \$1.5M in 2015 and 2016 respectively. When combined, the net impact is \$1.6M in 2014, \$1.5M in 2015 and \$1.5M in 2016. It should be noted, the long-term debt is largely dependant on the capital plan, which will be brought forward at a later date. It is anticipated that these figures will be adjusted.

**Corporate Expenditures** – An election is scheduled for 2014 with a planned expense of \$755K, based on the past election costs. It is anticipated that a report on the election process will be coming forward later in the budget process. In 2015, election costs are removed with minor changes in 2016. It should be noted that this cost is fully offset by matched withdrawals from the Election Reserve.

**Reserve Contributions** - Infrastructure Reserve contributions increase by \$686K as per policy to support the replacement of community buildings, vehicles, parks, etc. As a result the 2014 to 2016 budgets are anticipated to increase by \$577K, \$717K and \$1.3M, respectively.

### ***Expenditure Review – Degree of Flexibility***

To assist Council in assessing the base budget, the following summary illustrates how the City's expenses are allocated to major expense types:

<b>Operating Expenditures</b>	<b>2013</b>			<b>2014</b>			<b>2015</b>			<b>2016</b>		
	<b>Base Budget (\$)</b>	<b>% of Total Budget</b>	<b>Cumulative (%)</b>	<b>Base Budget (\$)</b>	<b>% of Total Budget</b>	<b>Cumulative (%)</b>	<b>Base Budget (\$)</b>	<b>% of Total Budget</b>	<b>Cumulative (%)</b>	<b>Base Budget (\$)</b>	<b>% of Total Budget</b>	<b>Cumulative (%)</b>
Salaries and Benefits	134,430,740	56.8%	56.77%	135,822,846	54.9%	54.91%	136,827,938	53.8%	53.84%	137,422,679	52.2%	52.21%
Service Contracts	32,858,007	13.9%	70.7%	33,630,071	13.6%	68.5%	34,702,110	13.7%	67.5%	36,136,426	13.7%	65.9%
Long Term Debt	13,855,229	5.9%	76.5%	16,205,229	6.6%	75.1%	17,205,229	6.8%	74.3%	17,205,229	6.5%	72.5%
Maint./Materials	9,919,157	4.2%	83.1%	9,801,991	4.0%	81.7%	9,929,018	3.9%	81.0%	10,351,369	3.9%	79.7%
Utilities & Fuel	9,097,449	3.8%	87.0%	9,530,686	3.9%	85.5%	9,982,438	3.9%	84.9%	11,208,554	4.3%	83.9%
Capital from Taxation	7,391,474	3.1%	90.1%	7,391,474	3.0%	88.5%	7,391,474	2.9%	87.8%	7,391,474	2.8%	86.7%
Reserve Contributions	5,747,917	2.4%	78.9%	6,514,672	2.6%	77.7%	7,168,452	2.8%	77.1%	8,567,057	3.3%	75.7%
Insurance Expenses	4,404,320	1.9%	91.9%	4,316,318	1.7%	90.2%	4,532,616	1.8%	89.6%	5,014,113	1.9%	88.6%
Contingency	4,186,886	1.8%	94.8%	7,535,729	3.0%	94.3%	10,999,564	4.3%	94.9%	14,568,657	5.5%	95.1%
Prof. Fees	2,462,426	1.0%	93.0%	2,536,246	1.0%	91.3%	2,387,475	0.9%	90.5%	2,363,218	0.9%	89.5%
Tax Adjustments	2,025,000	0.9%	95.6%	2,550,000	1.0%	95.3%	2,275,000	0.9%	95.8%	2,100,000	0.8%	95.9%
All Other	10,405,041	4.4%	100.0%	11,511,581	4.7%	100.0%	10,751,841	4.2%	100.0%	10,895,187	4.1%	100.0%
<b>Total Draft Expenditures</b>	<b>236,783,646</b>	<b>100.0%</b>	<b>--</b>	<b>247,346,843</b>	<b>100.0%</b>	<b>--</b>	<b>254,153,155</b>	<b>100.0%</b>	<b>--</b>	<b>263,223,963</b>	<b>100.0%</b>	<b>--</b>

The above summary illustrates the City has limited flexibility in any given year to significantly alter the City's cost structure in the short term. More than 75% of the costs are committed through collective agreements, service contracts and financing arrangements. Other reductions will impact the maintenance and repair of the City's infrastructure.

*Detail on the "All Other Expenditures" is provided in the attachment under Section 4 – Base Budget Analysis & Other Information.*

#### **D. Consideration of Additional Resource Requests**

As indicated earlier in this report, the budget guidelines were complimented by a process that allowed departments to formally submit requests for essential resources not permitted by the budget guidelines for Finance and Administration Committee and Council consideration. As a result, departments submitted over 136 additional resource requests with a total cost of over \$16.7m, all of which are valued by the submitting departments. It should be noted \$1.7m in requests are fully or partially self funded, which demonstrates staff's willingness to redirect existing resources and manage their finances in a prudent manner.

Consistent with prior years and demonstrating respect for the tax payer's dollar, the Senior Management Team and the Director's Working Group reviewed, evaluated, and prioritized all additional resource requests based on their merits and the following criteria:

- Vaughan's Vision and the Corporate Planning process linkages
- Value Proposition
- Regulatory Requirements
- Risk Management
- Internal Operational Requirements
- Capital Timing and Funding Availability

The process infuses a high degree of objectivity and transparency, of which the end result is a more realistic and responsible list of additional resource requests. Reducing the initial submission balance to a more manageable level was very difficult for decision makers, who were frequently faced with the dilemma of choosing between "building a progressive city" and "keeping tax rates low". Senior Management and the Directors Working Group spent a significant amount of time reviewing and optimizing the requests, which resulted in a number of requests being partially funded internally, some redistributed within the planned years and 27 requests or approximately \$3.9m deferred beyond the 2013-2016 plan for future budget consideration.

In many situations the result is not optimal, potentially compromising service levels, but necessary to minimize perceived tax pressures on the community. The above situation further supports the need to begin planning resources beyond a single year in order to address future opportunities and funding challenges.

The Senior Management Team's funding recommendation is a blend of both ideals driven by the following:

- Community safety - Fire operations & emergency planning
- Community and library services-, Civic Centre Resource Library, Avondale North Maple Park, ongoing forestry, parks, facility maintenance, etc.
- City building initiatives – Vaughan Metropolitan Centre, zoning by-law review, business development, strategic planning initiatives, public engagement, performance measurement, environment action plans, etc.
- Operational requirements to continue other City services –Planning, engineering, other operational requests, etc.

This information is important, as it provides added visibility to our community stakeholders and decision makers on the timing and resourcing of city services and initiatives. The result of the Senior Management Team's funding recommendation is summarized on the following pages. Additional detail is provided in the Operating Plan Package attachment #1:

- Section 5 - Additional Resource Request Lists
- Section 8 - Department Information (Financials, Business Plans,& Request Submissions)

### 2013 Additional Resource Requests

#	Ref Page	Department	Description	# of Positions	2013 Net FTE	Annual Cost	Offsets	2013 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
<b>2013 Base Budget Increase</b>										2.68%	2.68%
<b>Zero Budget Impact ARRs</b>											
A1	H71	Building Standards	Zoning By-law Review	4	4.00	573,659	(573,929)	(270)	(270)	0.00%	2.68%
A2	J22	Dev/Trans. Eng	VMC Development Implementation Project	3	3.00	366,567	(366,567)	-	(270)	0.00%	2.68%
A3	J26	Dev/Trans. Eng	Transportation Engineer	1	1.00	119,394	(119,394)	-	(270)	0.00%	2.68%
A4	H75	Building Standards	Mechanical Building Inspectors	2	2.00	188,045	(188,045)	-	(270)	0.00%	2.68%
A5	H79	Building Standards	Plans Examiner/Inspector (Mechanical/Plumbing/Fire)	1	1.00	92,887	(92,887)	-	(270)	0.00%	2.68%
A6	I82	ITM	Client Support Analyst	1	-	84,254	(84,254)	-	(270)	0.00%	2.68%
A7	I86	ITM	Client Support Analyst (FTE Conversion)	2	-	192,578	(192,578)	-	(270)	0.00%	2.68%
<b>Budget Impact ARRs</b>											
1	G116	Parks & Forestry Operation	Sidewalk: Thomas Cook Ave/Thornhill Woods Drive	-	-	40,000	-	40,000	39,730	0.03%	2.71%
2	I14	Strategic Planning	Strategic Planning Business Analysts	1	1.00	97,181	-	97,181	136,911	0.07%	2.77%
3	H49	Policy Planning	Planner 1	1	1.00	91,697	-	91,697	228,608	0.06%	2.83%
4	I18	Strategic Planning	PM Software Maintenance Costs	-	-	10,000	-	10,000	238,608	0.01%	2.84%
5	I90	ITM	Systems Analyst/Proj. Leader (CLASS)	1	1.00	115,551	-	115,551	354,159	0.08%	2.92%
6	G120	Parks & Forestry Operation	Soccer Field Maintenance	-	-	26,000	(20,435)	5,565	359,724	0.00%	2.92%
7	J98	PW - Roads	Roads Labourer	1	1.00	53,305	-	53,305	413,029	0.04%	2.96%
8	J102	PW - Roads	Equipment Operator II - Heavy Equipment Operator	2	2.00	138,133	-	138,133	551,162	0.09%	3.05%
9	G53	B&F	Facility Operator I - Vellore Vill. CC Expansion	1	1.00	56,715	-	56,715	607,877	0.04%	3.09%
10	H27	Development Planning	DTA Co-ordinator	1	1.00	79,561	-	79,561	687,438	0.05%	3.14%
11	G124	Parks & Forestry Operation	Tree Pruning (routine street pruning)	-	-	146,250	-	146,250	833,688	0.10%	3.24%
12	J61	Eng. Services	Utility Inspector (PT Conversion)	1	0.67	107,177	(101,841)	5,336	839,024	0.00%	3.25%
13	D16	Economic & Business Deve	Employment Zone, VMC Marketing	-	-	50,000	-	50,000	889,024	0.03%	3.28%
14	G128	Parks & Forestry Operation	Forestry Arborist	1	1.00	69,672	-	69,672	958,696	0.05%	3.33%
15	I39	Environmental Sustainability	Local action plan for reducing GHG emissions	-	-	45,000	(22,500)	22,500	981,196	0.02%	3.34%
16	I131	HR	Redevelopment of Staff Appraisal Forms	-	-	50,000	-	50,000	1,031,196	0.03%	3.37%
17	G6	Commissioner of Community	Administrative Assistant	1	0.31	76,595	(32,506)	44,089	1,075,285	0.03%	3.40%
18	D107	Fire & Rescue Operations	STN 75 - 16 Firefighters & 4 Captains	20	20.00	1,773,036	-	1,773,036	2,848,321	1.19%	4.60%
<b>Total of ARRs Recommended by Senior Management Team</b>				45	40.98	4,643,257	(1,794,936)	\$ 2,848,321		1.92%	

**Total Tax Increase (1%=\$1,484,363)**

**2013 Base Budget Increase**

**Tax Increase due to ARRs Recommended by Senior Management Team and F&A Committee**

**4.60%**

2.68%

1.92%

**2014 Additional Resource Requests**

#	Ref Page	Department	Description	# of Positions	2014 Net FTE	Annual Cost	Offsets	2014 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
<b>2014 Base Budget Increase</b>										2.45%	2.45%
<b>Impact of 2013 ARRs 2014</b>										94,519	0.06%
<b>Budget Impact</b>											
1	H71	Building Standards	Zoning By-law Review	3	1.80	250,613	(111,136)	139,477	233,996	0.09%	2.60%
2	I14	Strategic Planning	Strategic Planning Business Analysts	1	1.00	97,546	-	97,546	331,542	0.06%	2.66%
3	H53	Policy Planning	Senior Policy Planner (Extension of 2 YR Contra	1	1.00	115,122	-	115,122	446,664	0.07%	2.73%
4	J30	Dev/Trans. Eng	Development Coordinator	1	1.00	113,346	(104,346)	9,000	455,664	0.01%	2.74%
5	J34	Dev/Trans. Eng	Transportation Engineer	1	1.00	125,835	-	125,835	581,499	0.08%	2.82%
6	J106	PW - Roads	Equipment Operator I	2	2.00	136,230	-	136,230	717,729	0.09%	2.91%
7	G57	B&F	Facility Operator I - Fr. Ermanno CC Expansion	1	1.00	56,938	-	56,938	774,667	0.04%	2.94%
8	I135	HR	Learning & Development Specialist	1	1.00	101,046	-	101,046	875,713	0.06%	3.01%
9	G61	B&F	Preventative Maintenance Mechanic (PT Conver	1	0.57	75,604	(28,500)	47,104	922,817	0.03%	3.04%
10	G132	Parks & Forestry Operations	Forestry Arborist II	1	1.00	70,143	-	70,143	992,960	0.04%	3.08%
11	G136	Parks & Forestry Operations	Temporary Seasonal Employees	2	1.38	63,579	-	63,579	1,056,539	0.04%	3.12%
12	G65	B&F	Assistant Foreperson	1	1.00	62,736	-	62,736	1,119,275	0.04%	3.16%
13	E58	Purchasing Services	Senior Technical Clerk (PT Conversion)	1	1.00	74,342	(39,092)	35,250	1,154,525	0.02%	3.19%
14	G69	B&F	Building and Facilities City-wide Maintenance an	-	-	250,000	-	250,000	1,404,525	0.16%	3.34%
15	I94	ITM	Client Support Analyst	1	1.00	97,365	-	97,365	1,501,890	0.06%	3.41%
16	I98	ITM	Technology Specialists	2	2.00	231,942	-	231,942	1,733,832	0.15%	3.55%
17	G140	Parks & Forestry Operations	Hard Surface Repairs	-	-	80,000	-	80,000	1,813,832	0.05%	3.61%
18	G144	Parks & Forestry Operations	Courts-Tennis and Basketball	-	-	15,000	-	15,000	1,828,832	0.01%	3.61%
19	D130	Fire Training	Training Officer	1	1.00	142,584	-	142,584	1,971,416	0.09%	3.71%
20	I43	Environmental Sustainability	Climate change adaptation research	-	-	25,000	(10,876)	14,124	1,985,540	0.01%	3.71%
21	G148	Parks & Forestry Operations	Playground Safety Surface Testing	-	-	40,000	-	40,000	2,025,540	0.03%	3.74%
22	H83	Building Standards	Plans Examiner (Zoning)	1	1.00	86,927	(42,594)	44,333	2,069,873	0.03%	3.77%
23	I102	ITM	Client Support Analyst - Audio/Video	1	1.00	92,386	-	92,386	2,162,259	0.06%	3.83%
24	G72	B&F	Clerk Typist A (PT Conversion)	1	0.31	45,895	(30,666)	15,229	2,177,488	0.01%	3.84%
25	G152	Parks & Forestry Operations	Sod and Seed for Sports Fields	-	-	25,000	-	25,000	2,202,488	0.02%	3.85%
26	F66	Enforcement Services	Property Standards Officer	2	2.00	178,404	(30,000)	148,404	2,350,892	0.09%	3.95%
27	G156	Parks & Forestry Operations	Community Services Asset Management Coord	1	1.00	106,446	-	106,446	2,457,338	0.07%	4.02%
28	D111	Fire & Rescue Operations	4 District Chiefs	4	4.00	560,122	-	560,122	3,017,460	0.36%	4.37%
29	G160	Parks & Forestry Operations	Irrigation System Maintenance	-	-	21,000	-	21,000	3,038,460	0.01%	4.39%
30	J65	Eng. Services	Pavement Markings - Rural Roads	-	-	165,000	-	165,000	3,203,460	0.11%	4.49%
31	J38	Dev/Trans. Eng	Clerical Assistant Clerk C	1	1.00	78,767	(49,000)	29,767	3,233,227	0.02%	4.51%
32	D150	Emergency Planning	Emergency Planner (Partial FTE Conversion)	1	0.69	86,586	(6,928)	79,658	3,312,885	0.05%	4.56%
33	D20	Economic & Business Devel	Business Development Officer - Advanced Goo	1	1.00	90,115	-	90,115	3,403,000	0.06%	4.62%
34	G164	Parks & Forestry Operations	Fertilizing Parks	-	-	20,000	-	20,000	3,423,000	0.01%	4.63%
35	G168	Parks & Forestry Operations	Aerating Parks	-	-	20,000	-	20,000	3,443,000	0.01%	4.64%
36	I63	Access Vaughan	Citizen Service Representative	2	1.38	82,433	-	82,433	3,525,433	0.05%	4.70%
<b>Total of ARRs Recognized by Senior Management Team</b>				36	32.13	3,584,918	(446,210)	3,430,914		2.19%	

**Total Tax Increase (1%=\$1,569,875)**

**2014 Base Budget Increase**

**Tax Increase due to ARRs Recommended by Senior Management Team and F&A Committee**

**4.70%**

2.45%

2.25%

**2015 Additional Resource Requests**

#	Ref Page	Department	Description	# of Positions	2015 Net FTE	Annual Cost	Offsets	2015 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
<b>2015 Base Budget Increase</b>										1.57%	1.57%
<b>Impact of 2013-14 ARRs on 2015</b>									295,104	0.18%	1.75%
<b>Budget Impact</b>											
1	H71	Building Standards	Zoning By-law Review	1	1.00	137,305	(34,757)	102,548	397,652	0.06%	1.81%
2	I22	Strategic Planning	On-Line Citizen Public Engagement Survey	-	-	75,000	-	75,000	472,652	0.05%	1.86%
3	G97	Fleet	Electric Vehicle Municipal Feasibility Program Pilot	-	-	15,000	(9,750)	5,250	477,902	0.00%	1.86%
4	D115	Fire & Rescue Operations	STN 78 - 16 Firefighters & 4 Captains	20	20.00	1,793,138	-	1,793,138	2,271,040	1.08%	2.94%
5	K15/19	Library	Civic Centre Resource Library - Operations & Support	50	38.29	2,983,845	(83,600)	2,900,245	5,171,285	1.75%	4.70%
6	I26	Strategic Planning	New Vaughan Vision Strategic Plan	-	-	120,000	-	120,000	5,291,285	0.07%	4.77%
7	I106	ITM	EDMS Business Analyst	1	1.00	120,373	-	120,373	5,411,658	0.07%	4.84%
8	I110	ITM	EDMS Technical SME	1	1.00	120,373	-	120,373	5,532,031	0.07%	4.91%
<b>Total of ARRs Recognized by Senior Management Team</b>				73	61.29	5,365,034	(128,107)	5,236,927		3.17%	

**Total Tax Increase (1%=\$1,654,159)**

**2015 Base Budget Increase**

**Tax Increase due to ARRs Recommended by Senior Management Team and F&A Committee**

**4.91%**

1.57%

3.34%

**2016 Additional Resource Requests**

#	Ref Page	Department	Description	# of Positions	2016 Net FTE	Annual Cost	Offsets	2016 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
<b>2016 Base Budget Increase</b>										3.24%	3.24%
<b>Impact of 2013-15 ARRs on 2016</b>										255,795	0.15%
<b>Budget Impact</b>											
1	E31	Budgeting & Financial Plannin	Senior Capital and Reserve Analyst	1	1.00	109,475	-	109,475	365,270	0.06%	3.45%
2	G76	B&F	Facility Operator I - Block 11	9	9.00	518,472	-	518,472	883,742	0.30%	3.75%
3	D119	Fire & Rescue Operations	4 District Chiefs	4	4.00	566,460	-	566,460	1,450,202	0.33%	4.08%
4	G172	Parks & Forestry Operations	Boulevard Shrub Bed Summer Student Position	3	0.69	51,667	-	51,667	1,501,869	0.03%	4.11%
5	D154	Emergency Planning	Primary and Alternate EOC Telephone Systems	-	-	63,390	-	63,390	1,565,259	0.04%	4.15%
6	G176	Parks & Forestry Operations	10 Month Horticulture Temp (Shrub Maintenance	1	0.69	25,956	-	25,956	1,591,215	0.02%	4.16%
7	D41	Corporate Comm.	Communications Specialist, Website Content M	1	1.00	90,381	-	90,381	1,681,596	0.05%	4.21%
8	G180	Parks & Forestry Operations	Oakbank Pond Maintenance Program	-	-	75,000	-	75,000	1,756,596	0.04%	4.26%
9	K23	Library	eMarketing & Communications Specialist - Pilot	1	1.00	77,993	-	77,993	1,834,589	0.05%	4.30%
10	I139	HR	HR Specialist, Workplace Health and Safety	1	1.00	122,410	-	122,410	1,956,999	0.07%	4.37%
11	F70	Enforcement Services	Animal Services - Shelter Attendant	1	1.00	58,513	(13,829)	44,684	2,001,683	0.03%	4.40%
12	D158	Emergency Planning	Hazard/Risk Assessment and Review Consultin	-	-	15,000	-	15,000	2,016,683	0.01%	4.41%
13	G184	Parks & Forestry Operations	6 month Contract Services Temp	1	0.69	25,956	-	25,956	2,042,639	0.02%	4.42%
14	G188	Parks & Forestry Operations	Non-selective Weed Spraying Program	-	-	25,000	-	25,000	2,067,639	0.01%	4.44%
15	D94	Fire Prevention	Fire Prevention Inspector	1	1.00	88,502	-	88,502	2,156,141	0.05%	4.49%
16	G32	Cultural Services	Arts & Culture Marketing Material	-	-	60,000	-	60,000	2,216,141	0.03%	4.52%
17	K27	Library	Library Resources Purchasing Power Protection	-	-	48,700	-	48,700	2,264,841	0.03%	4.55%
18	G192	Parks & Forestry Operations	Additional GPS Units	-	-	30,000	-	30,000	2,294,841	0.02%	4.57%
19	G196	Parks & Forestry Operations	Avondale Park (North Maple) - Development	-	-	10,000	-	10,000	2,304,841	0.01%	4.57%
20	G196	Parks & Forestry Operations	Avondale Park (North Maple) - Park Attendants	4	4.00	303,309	-	303,309	2,608,150	0.18%	4.75%
21	G196	Parks & Forestry Operations	Avondale Park (North Maple) - Park Attendants	4	4.00	297,309	-	297,309	2,905,459	0.17%	4.92%
22	I143	HR	HR Specialist, Absence and Disability Managem	1	1.00	93,481	-	93,481	2,998,940	0.05%	4.98%
23	F45	Legal Services	Real Estate Consultant - Acquisitions	1	0.50	52,282	-	52,282	3,051,222	0.03%	5.01%
24	I147	HR	Human Resources Partner	1	1.00	111,050	-	111,050	3,162,272	0.06%	5.07%
25	F74	Enforcement Services	Animal Services - Shelter Clerk, p/t	1	0.69	31,200	(7,475)	23,725	3,185,997	0.01%	5.08%
26	D82	Fire Mechanical	Stores Clerk	1	1.00	66,473	-	66,473	3,252,470	0.04%	5.12%
27	D45	Corporate Comm.	Communications Specialist, Client Services	1	1.00	90,381	-	90,381	3,342,851	0.05%	5.17%
28	E35	Budgeting & Financial Plannin	Senior Budget Analyst	1	1.00	108,950	-	108,950	3,451,801	0.06%	5.24%
29	G80	B&F	PT Facility Operator - Carrville	2	1.80	71,548	-	71,548	3,523,349	0.04%	5.28%
30	G36	Cultural Services	Events Coordinator	1	1.00	92,781	-	92,781	3,616,130	0.05%	5.33%
<b>Total of ARRs Recognized by Senior Management Team</b>				<b>42</b>	<b>38.06</b>	<b>3,381,639</b>	<b>(21,304)</b>	<b>3,360,335</b>		<b>1.95%</b>	

**Total Tax Increase (1%=\$1,727,649)**

**2016 Base Budget Increase**

**Tax Increase due to ARRs Recommended by Senior Management Team and F&A Committee**

<b>5.33%</b>
<b>3.24%</b>
<b>2.09%</b>



## Relationship to Vaughan Vision 2020

The Draft 2013 Operating Budget and 2014-2016 Operating Plan is the process to allocate and approve the resources necessary to continue operations and implement Council's approved plans.

## Regional Implications

There are no Regional implications associated with this report.

## Conclusion

The City of Vaughan is becoming increasingly more sophisticated with each passing year and there is a need to broaden the budget horizon and unveil the future. The implementation of multi-year budgets will provide decision makers with added foresight and ability to proactively grasp future opportunities, address future challenges and reduce blind spots by understanding the longer-term financial implications of present and past decisions. This is a very strategic approach intended to plan where the City's future resources should be focused to best support the City and generate public value.

The City has followed a very thorough process to minimize any tax increase while maintaining levels of service and meeting regulatory requirements. Very tight budget guidelines approved by Council, were issued to all departments limiting increases to established commitments and pre-defined external pressures. In addition to the strict base budget guidelines, a number of additional resource requests were put forward by departments to maintain service levels, comply with regulatory requirements and implement new initiatives. The Directors' Working Group and Senior Management spent a considerable amount of time reviewing the operating base budget and prioritizing resource requests in order to develop a realistic and responsible financial plan. The resulting outcome of above efforts is illustrated below in the building the budget diagram.

### BUILDING THE BUDGET

Components	2013			2014			2015			2016		
	Rate Incr.	\$ (m)	Bill Incr.	Rate Incr.	\$ (m)	Bill Incr.	Rate Incr.	\$ (m)	Bill Incr.	Rate Incr.	\$ (m)	Bill Incr.
Base Budget	2.68%	3.98	\$37.33	2.45% (see note)	3.92	\$35.73	1.57% (see note)	2.64	\$23.94	3.24% (see note)	5.69	\$49.04
ARR	1.92%	2.85	\$26.67	2.25%	3.53	\$33.27	3.34%	5.53	\$52.06	2.09%	3.62	\$36.96
<b>Subtotal</b>	<b>4.60%</b>	<b>6.83</b>	<b>\$64</b>	<b>4.70%</b>	<b>7.45</b>	<b>\$69</b>	<b>4.91%</b>	<b>8.17</b>	<b>\$76</b>	<b>5.33%</b>	<b>9.31</b>	<b>\$86</b>
Hospital Levy	0.91%	1.29	\$10.72									
<b>Grand Total</b>	<b>5.51%</b>	<b>8.12</b>	<b>\$75</b>	<b>4.70%</b>	<b>7.45</b>	<b>\$69</b>	<b>4.91%</b>	<b>8.17</b>	<b>\$76</b>	<b>5.33%</b>	<b>9.31</b>	<b>\$86</b>

**Please note:** The 2014 to 2016 base budget rate increase is adjusted down as a result of the inclusion of prior year ARR requests.

**Attachments**

Attachment#1: Financial Overview (Available in the Clerk's Department)

Attachment#2: Department Financial Summaries, Business Plans & Recommended Additional Resource Requests

**Report prepared by:**

Barbara Cribbett, CMA  
Commissioner of Finance/City Treasurer Ext. 8475

John Henry, CMA  
Director of Budgeting & Financial Planning Ext. 8348

Ursula D'Angelo, CGA  
Manager, Operating Budget & Activity Costing Ext. 8401

Respectfully submitted,

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Clayton D. Harris  
City Manager

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Barbara Cribbett, CMA  
Commissioner of Finance/City Treasurer

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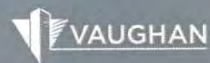
John Henry, CMA  
Director of Budgeting & Financial Planning

## Draft 2013 Budget and 2014-2016 Operating Plan

Finance & Administration Committee  
Nov.12, 2012



Financial Sustainability  
Always a Key Priority



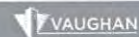
### Today's Agenda

- Opening comments
- General overview & process highlights
- Base budget observations & pressures
- Additional resource requests (ARR's)
- Summary & next steps



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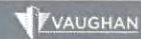
## Budget Objective

"To balance the pressures of maintaining existing services and growth requirements against available future City funding/resources necessary to undertake and manage operations and corporate initiatives"



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## Budget Principles

1. Financial sustainability
2. Manage current budget pressures
3. Plan for the future
4. Be responsive to public input
5. Value for tax dollars



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## Managing Our Future



### **The City has a Plan**

- Guide by the City's Strategic Plan
- Future focus



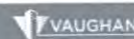
### **Our Plan Includes**

- Multi-year financial planning
- Financial Master Plan ( FMP )
- Key strategic priority themes



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## Economic Condition



### **Cautious Optimism Continues**

- IMF hails Canada as economic model for the world
- On-going global uncertainty/speculation
- 2012 GDP is mildly positive, attention shifted to restraint
- More balanced economic growth expected for 2013/2014



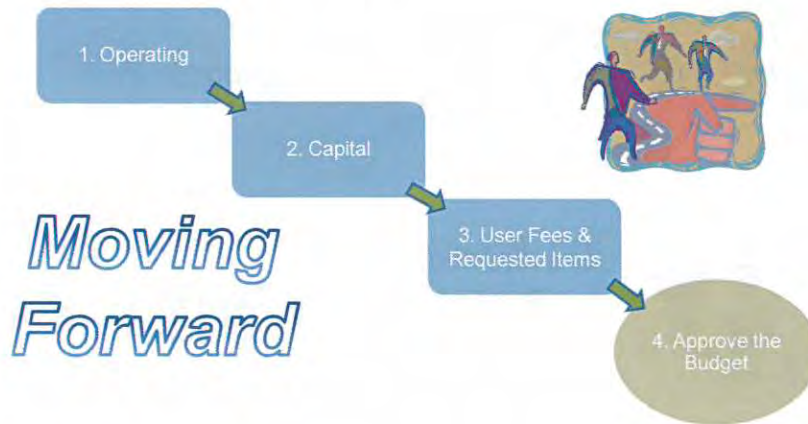
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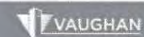


## Budget Process Steps



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## Multi Year Financial Planning



### Purpose

- Chart the way to financial sustainability, stability, and balance

### Objective

- Approve the current year & recognize future budgets
- Ensuring decisions are resourced before moving forward
- Balancing future vs. current sustainability

### Achieved

- ✓ Greater Vision, Awareness, & Understanding
- ✓ 4 yr Operating & Capital Budget (2013 -2016)



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## Strict Two Step Process

- Stewardship of public funds is taken very seriously
- Focused on containing costs and best practices

### **Step 1 Base Budget** - very strict budget guidelines

- No across the board increase for inflation
- No new staffing
- Only very specific adjustments (i.e. agreements, other obligations, etc)

### **Step 2 Additional Resource Requests (ARRs)**

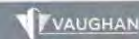
- Individually vetted
- Presented separately



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## Quick Facts



### Draft Budget (Base + ARRs)

	2012	(Projected)			
		2013	2014	2015	2016
Average residential assessment	\$ 485,122	\$ 517,000	\$ 551,000	\$ 587,000	\$ 626,000
Total taxes levied on the average assessed home ***	4,551	4,615	4,684	4,759	4,759
City of Vaughan portion (27-30%)	1,232	1,296	1,365	1,440	1,440
City of Vaughan tax adjustment % on total taxes		1.4%	1.5%	1.6%	1.6%
Hospital Capital Levy on the avg. home	49	60	60	60	60
Reduction for qualifying seniors	313	328	343	359	377
A 1% increase in the tax rate generates	\$1.4m	\$1.484m	\$1.599m	\$1.684m	\$1.759m
Impact of a 1% increase on the average home	\$ 11.78	\$ 13.93	\$ 14.57	\$ 15.25	\$ 16.00
Assessment growth (projected)	3.10%	1.50%	3.00%	2.80%	2.80%
Draft Tax Rate Increase		4.60%	4.70%	4.91%	5.33%

**\$ impact on the avg. tax bill**



**\$64**




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## Re-Assessment Year

- Conducted by the Province  MUNICIPAL  
PROPERTY  
ASSESSMENT  
CORPORATION
- Re-assessment will be completed for all Ont. municipalities
- Conducted in 2012 effective in 2013.
- Assessment related increases are phased in over 4 years
- MPAC offers an informal process for assessment reconsideration
- Residents can also appeal assessed value



## City Implications

- No new revenue - process is revenue neutral
- Property value changes above or below the municipal average will experience an assessment related tax adj.



For more information go to [www.mpac.ca](http://www.mpac.ca)

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## Budget Pressures

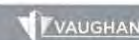
Highlights & Major Budget Elements	2013		2014		2015		2016	
	\$	Rate Incr.	\$	Rate Incr.	\$	Rate Incr.	\$	Rate Incr.
Insurance premiums	500,000	0.34%					410,263	0.23%
Roads program ( <i>Debtenture financed</i> )	1,461,924	0.98%	1,550,000	0.97%	1,500,000	0.89%	1,500,000	0.85%
Infrastructure renewal policy funding	826,361	0.56%	577,088	0.36%	716,630	0.43%	1,292,962	0.74%
Other capital funding requirements	489,000	0.33%						
Tax adjustments ( <i>Reassessment based</i> )	425,000	0.29%	525,000	0.33%	(275,000)	-0.16%	(175,000)	-0.10%
Carville CC ( <i>contracts, utilities, etc.</i> )							1,450,000	0.82%
Other net City obligations ( <i>workforce, etc.</i> )	276,529	0.19%	1,270,806	0.79%	701,698	0.42%	1,211,735	0.69%
<b>Additional Resource Requests</b>								
- Community safety (Fire)	1,773,036	1.19%	782,364	0.49%	1,793,138	1.06%	799,825	0.45%
- Community & library services	362,291	0.24%	786,729	0.49%	2,900,245	1.72%	1,713,691	0.97%
- City building initiatives	179,411	0.12%	562,830	0.35%	543,544	0.32%	90,381	0.05%
- Operational requirements	533,583	0.36%	1,393,510	0.91%	295,104	0.24%	1,012,233	0.61%
<b>Total Budget Change</b>	<b>6,827,135</b>	<b>4.60%</b>	<b>7,448,327</b>	<b>4.70%</b>	<b>8,175,359</b>	<b>4.91%</b>	<b>9,306,090</b>	<b>5.33%</b>
Average Residential Tax bill	\$64		\$69		\$76		\$86	

Pressure



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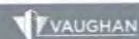


## 2013-2016 City Base Budget



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## Vaughan's Municipal Price Index (MPI)

Component	Inflation Figure	Source	Scenario #1		Scenario #2	
			% of Budget	Weighted Average	% of Budget	Weighted Average
Salaries and Benefits	3.0%	CoV settlement agreements	57.5%	1.7%	57.5%	1.0%
	1.7%	Ministry of Labour				
Labour Sub total				1.7%		1.0%
Contracts and Materials	5.1%	5 yr Average Historical Increase	15.5%	0.8%	15.5%	0.8%
Utilities and Fuel	0.8%	Stat's Can. Aug. 2012 - Energy CPI	3.8%	0.0%	3.8%	0.0%
All Other	1.3%	Core Inflation - Sept. 2012	18.2%	0.2%	18.2%	0.2%
Other Sub total				1.1%		1.1%
Capital Funding	3.2%	Construction Price Index	3.0%	0.1%	3.0%	0.1%
Insurance	5.0%	AMO - 2011 municipal white paper	2.0%	0.1%	2.0%	0.1%
Corporate Sub total				0.2%		0.2%
Combined Municipal Price Index				3.0%		2.2%

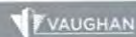
Sept. Consumer Price Index (CPI) = 1.3%

*There is no strong relationship between  
CPI and budget increases*



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## Major Expense Changes



Expenses	2013		2014		2015		2016	
	\$ Change	Tax Rate % Change	\$ Change	Tax Rate % Change	\$ Change	Tax Rate % Change	\$ Change	Tax Rate % Change
Benefits & Other adj	1,744,000	1.17%	657,128	0.42%	869,036	0.53%	331,236	0.19%
Progression/Job Eval/Adj	700,000	0.47%	837,372	0.53%	452,564	0.27%	271,764	0.16%
Eco adj (Union & Mgmt)	360,000	0.24%	-	0.00%	-	0.00%	-	0.00%
Fire (Progression/Retention)	270,000	0.18%	264,000	0.17%	144,000	0.09%	41,000	0.02%
FT Contract reductions	-	0.00%	(361,500)	-0.23%	(396,600)	-0.24%	-	0.00%
<b>Subtotal</b>	<b>3,074,000</b>	<b>2.07%</b>	<b>1,397,000</b>	<b>0.89%</b>	<b>1,069,000</b>	<b>0.65%</b>	<b>644,000</b>	<b>0.37%</b>
Contingency	2,612,000	1.76%	3,349,000	2.13%	3,464,000	2.09%	3,569,000	2.07%
<b>Subtotal</b>	<b>5,686,000</b>	<b>3.83%</b>	<b>4,746,000</b>	<b>3.02%</b>	<b>4,533,000</b>	<b>2.74%</b>	<b>4,213,000</b>	<b>2.44%</b>
Contracts	1,110,823	0.75%	865,464	0.55%	1,074,649	0.65%	1,096,361	0.63%
Insurance	500,000	0.34%	-	0.00%	-	0.00%	410,263	0.24%
Utilities (excl. Carrville C.C.)	238,000	0.16%	405,700	0.26%	440,400	0.27%	471,528	0.27%
Recreation (excl. PT labour)	442,700	0.30%	269,285	0.17%	149,676	0.09%	104,631	0.06%
Carrville C.C. (B&F)	-	0.00%	-	0.00%	-	0.00%	1,445,500	0.84%
<b>Subtotal</b>	<b>2,291,523</b>	<b>1.54%</b>	<b>1,540,449</b>	<b>0.98%</b>	<b>1,664,725</b>	<b>1.01%</b>	<b>3,528,283</b>	<b>2.04%</b>
LTD net	1,461,924	0.98%	1,550,000	0.99%	1,500,000	0.91%	1,500,000	0.87%
Reserve Contributions	686,000	0.46%	577,000	0.37%	716,629	0.43%	1,292,961	0.75%
Capital from Taxation	489,472	0.33%	-	0.00%	-	0.00%	-	0.00%
<b>Subtotal</b>	<b>2,637,396</b>	<b>1.78%</b>	<b>2,127,000</b>	<b>1.35%</b>	<b>2,216,629</b>	<b>1.34%</b>	<b>2,792,961</b>	<b>1.62%</b>
Tax Adjustments	425,000	0.29%	525,000	0.33%	(275,000)	-0.17%	(175,000)	-0.10%
Other	(396,254)	-0.27%	69,588	0.04%	(79,315)	-0.05%	211,086	0.12%
<b>Total Expense Change</b>	<b>10,643,665</b>	<b>7.17%</b>	<b>9,008,037</b>	<b>5.74%</b>	<b>8,060,039</b>	<b>4.87%</b>	<b>10,570,330</b>	<b>6.12%</b>



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## Major Revenue Changes



Revenues	2013		2014		2015		2016	
	\$ Change	Tax Rate % Change	\$ Change	Tax Rate % Change	\$ Change	Tax Rate % Change	\$ Change	Tax Rate % Change
<b>Decrease in Revenues</b>								
Investment Income	(250,000)	-0.17%	(250,000)	-0.16%	(250,000)	-0.15%	(250,000)	-0.14%
Fleet Management Reserve	(121,373)	-0.08%	(121,374)	-0.08%	-	0.00%	-	0.00%
<b>Sub total</b>	<b>(371,373)</b>	<b>-0.25%</b>	<b>(371,374)</b>	<b>-0.24%</b>	<b>(250,000)</b>	<b>-0.15%</b>	<b>(250,000)</b>	<b>-0.14%</b>
<b>Increase in Revenues</b>								
Supplemental	1,500,000	1.01%	(1,500,000)	-0.96%	-	0.00%	-	0.00%
Recreation	904,000	0.61%	339,000	0.22%	349,000	0.21%	359,000	0.21%
Water & Wastewater Recovery	723,790	0.49%	41,000	0.03%	42,000	0.03%	57,900	0.03%
Bldg. Standards Continuity Res.	559,000	0.38%	(82,000)	-0.05%	48,000	0.03%	(149,000)	-0.09%
Engineering Reserve	254,000	0.17%	100,000	0.06%	(100,000)	-0.06%	-	0.00%
Building Standards User Fees	42,500	0.03%	170,152	0.11%	165,354	0.10%	179,590	0.10%
User Fees & Service Charges	486,235	0.33%	236,597	0.15%	84,479	0.05%	184,381	0.11%
Development Planning User Fees	214,000	0.14%	484,000	0.31%	111,000	0.07%	160,000	0.09%
Fines & Penalties	100,000	0.07%	100,000	0.06%	-	0.00%	-	0.00%
Hydro Dividends	-	0.00%	1,150,000	0.73%	375,000	0.23%	(375,000)	-0.22%
Other	59,059	0.04%	(190,449)	-0.12%	36,538	0.02%	(86,878)	-0.05%
<b>Sub total</b>	<b>4,842,584</b>	<b>3.26%</b>	<b>848,300</b>	<b>0.54%</b>	<b>1,111,371</b>	<b>0.67%</b>	<b>329,993</b>	<b>0.19%</b>
<b>Sub-total Revenue Change</b>	<b>4,471,211</b>	<b>3.01%</b>	<b>476,926</b>	<b>0.30%</b>	<b>861,371</b>	<b>0.52%</b>	<b>79,993</b>	<b>0.05%</b>
Assessment growth	2,193,640	1.48%	4,608,217	2.94%	4,555,340	2.75%	4,800,377	2.78%
<b>Total Revenue Change</b>	<b>6,664,851</b>	<b>4.49%</b>	<b>5,085,143</b>	<b>3.24%</b>	<b>5,416,711</b>	<b>3.27%</b>	<b>4,880,370</b>	<b>2.82%</b>
<b>Net Funding Requirement</b>	<b>3,978,814</b>	<b>2.68%</b>	<b>3,922,894</b>	<b>2.45%</b>	<b>2,643,328</b>	<b>1.57%</b>	<b>5,689,960</b>	<b>3.24%</b>



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## Base Budget Challenges

- Assessment growth
- Long-term debt.
- Infrastructure contributions
- Labour & benefit pressures
- Fees & recovery
- Financial structure inflexibility

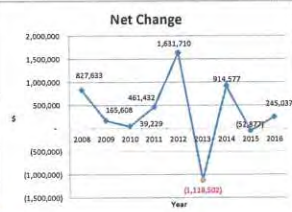
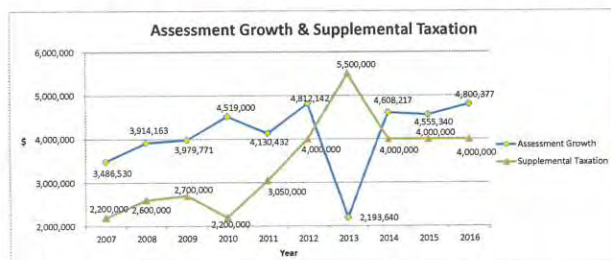


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## Assessment & Supplemental Growth



- MPAC driven
- Focus on re-assessment
- GTA wide issue
- Risk with mitigation plan



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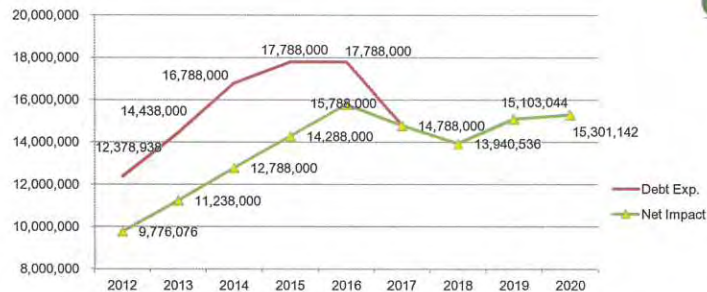
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## Long-Term Debt



- Est. net \$1.5m./yr over forecast term (1% tax incr.)
- Debt terms begin to revolve in 2016
- Projections to be update after capital budget



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## Infrastructure Contributions



- Supporting community infrastructure
- Based on new policy
  - New asset lifecycle contributions
  - CPI adj. to keep up with market values



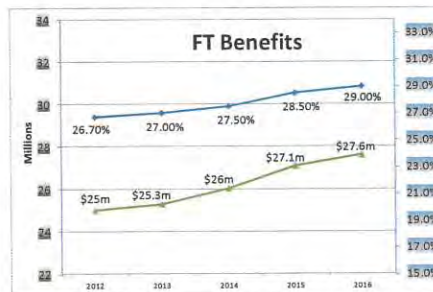
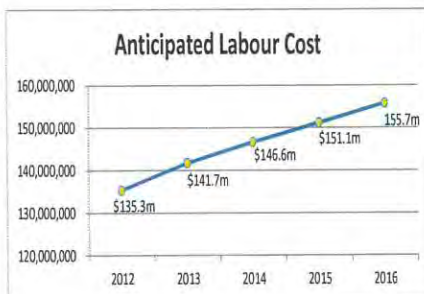
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## Labour & Benefits



### Labour (Incl. Benefits)

- Most agreements expire in March
- Est. exp. is 4 to 5m/year.

### Benefit Pressures

- CPP, EHT, EI Thresholds
- GWL % increase
- OMER's contribution increases
- Etc



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## Fee Recovery Analysis

2013 Department Budgeted Recovery (Figures in Thousands)	Recreation	Licensing	Enforc. Services	Planning	COA	Building Standards (OBC)	Building Standards (Non-OBC)
Revenues	\$ 18,632	\$ 1,121	\$ 2,318	\$ 3,413	\$ 474	\$ 9,046	\$ 471
Expenditures	19,778	438	5,245	3,029	577	5,413	624
Subsidy(Surplus)	1,146	(483)	2,927	(384)	103	(3,635)	153
2013 Dept Budget Recovery Ratio	94%	176%	44%	113%	82%	167%	76%
2014 Dept Budget Recovery Ratio	95%	191%	44%	127%	87%	167%	76%
2015 Dept Budget Recovery Ratio	96%	199%	44%	130%	93%	164%	78%
2016 Dept Budget Recovery Ratio	95%	210%	44%	135%	99%	167%	84%
Memo: 2012 Dept. Budget Recovery Ratio	92%	170%	45%	111%	73%	144%	72%
Full Cost Estimate (ABC Model)	** \$ 42,499	\$ 1,587	\$ 5,034	\$ 5,639	\$ 1,159	\$ 9,049	1,687
Subsidy(Surplus)	23,834	405	2,716	2,226	685	0	1,218
2013 Full Cost Recovery Ratio	44%	***	71%	46%	61%	41%	28%
2014 Full Cost Recovery Ratio	45%	79%	47%	69%	42%	100%	29%
2015 Full Cost Recovery Ratio	44%	79%	47%	70%	43%	100%	37%
2016 Full Cost Recovery Ratio	44%	82%	46%	71%	44%	100%	39%
Memo: 2012 Full Cost Recovery Ratio	44%	72%	49%	63%	42%	100%	36%
Policy Recovery Goal	95% Dept. Cost	100% Full Cost		100% Full Cost	100% Full Cost	100% Full Cost	

- Ratio's are conservative as they do not incorporate employee economic adj.
- Above Categories cover 90% of total City User Fees
- Overall most areas are recovering more than 75% of their dept. budgets
- A number of areas are "below policy recovery goals".



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Notes:  
\* - Includes Reserve Activity  
\*\* - Incorporates B&F costs  
\*\*\* - Achieving target, lower dept recovery due risk mgmt activities

## User Fees

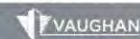
User Fee by Department	2012 Budget	2013 Budget		2014 Budget		2015		2016	
		Inc		Inc		Budget Inc		Budget Inc	
Recreation	17,727,675		904,035		339,103		349,058		359,348
Building Standards	7,889,147		42,586		170,152		165,354		179,590
Development Planning	3,199,276		213,750		483,543		110,569		159,698
Enforcement	2,227,085		91,393		40,581		16,550		1,445
Public Works	1,236,035		74,973		26,082		27,449		28,017
Clerks - Licensing	1,077,078		44,282		99,005		63,405		78,035
Fire & Rescue Services	569,324		11,304		11,159		11,420		11,420
Culture Services	517,950		35,030		-		-		-
Committee of Adjustment	410,624		63,383		33,329		35,414		35,982
Development Transp. Eng.	392,426		11,602		10,792		(84,423)		4,589
Vaughan Public Libraries	301,300		6,100		6,400		6,400		6,400
Building & Facilities	187,340		5,500		(8,000)		-		-
Eng. Serv.	175,933		74,960		8,374		(923)		6,984
Cemeteries	115,603		(13,823)		2,125		2,125		2,208
Legal Services	85,346		(25,346)		3,599		3,338		3,942
Parks & Forestry Operations	46,390		64,821		1,581		1,630		1,854
Clerks	33,576		3,685		1,924		2,467		3,459
Communities in Bloom Sponsorship	10,000		-		-		-		-
Economic & Business Development	4,000		(4,000)		-		-		-
<b>Total</b>	<b>\$ 36,206,108</b>		<b>\$ 1,604,235</b>		<b>\$ 1,229,749</b>		<b>\$ 709,833</b>		<b>\$ 882,971</b>



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- Incorporates price & volume adjustments
- Consistent with budget guidelines
- Future Dec. report. regarding fee adjustments

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## Degree of Budget Structure Flexibility



Operating Expenditures	2013			2014			2015			2016		
	Base Budget (\$)	% of Total Budget	Cumulative (%)	Base Budget (\$)	% of Total Budget	Cumulative (%)	Base Budget (\$)	% of Total Budget	Cumulative (%)	Base Budget (\$)	% of Total Budget	Cumulative (%)
Salaries and Benefits	134,430,740	56.8%	56.77%	135,822,846	54.9%	54.91%	136,827,938	53.8%	53.84%	137,422,679	52.2%	52.21%
Service Contracts	32,858,007	13.9%	70.7%	33,630,071	13.6%	68.5%	34,702,110	13.7%	67.5%	36,136,426	13.7%	65.9%
Long Term Debt	13,855,229	5.9%	76.5%	16,205,229	6.8%	75.1%	17,205,229	6.8%	74.3%	17,205,229	6.5%	72.5%
Maint./Materials	9,919,157	4.2%	83.1%	9,801,991	4.0%	81.7%	9,929,018	3.9%	81.0%	10,351,369	3.9%	79.7%
Utilities & Fuel	9,097,449	3.8%	87.0%	9,530,686	3.9%	85.5%	9,982,438	3.9%	84.9%	11,208,554	4.3%	83.9%
Capital from Taxation	7,391,474	3.1%	90.1%	7,391,474	3.0%	88.5%	7,391,474	2.9%	87.8%	7,391,474	2.8%	86.7%
Reserve Contributions	5,747,917	2.4%	78.9%	6,514,672	2.8%	77.7%	7,168,452	2.8%	77.1%	8,567,057	3.3%	75.7%
Insurance Expenses	4,404,320	1.9%	91.0%	4,318,318	1.7%	90.2%	4,532,616	1.8%	89.6%	5,014,113	1.9%	88.6%
Contingency	4,186,888	1.8%	94.8%	7,535,729	3.0%	94.3%	10,969,564	4.3%	94.9%	14,568,657	5.5%	95.1%
Prof. Fees	2,492,426	1.0%	93.0%	2,539,246	1.0%	91.3%	2,387,475	0.9%	90.5%	2,393,218	0.9%	89.5%
Tax Adjustments	2,025,000	0.9%	95.6%	2,550,000	1.0%	95.3%	2,275,000	0.9%	95.8%	2,100,000	0.8%	95.9%
All Other	10,405,041	4.4%	100.0%	11,511,581	4.7%	100.0%	10,751,841	4.2%	100.0%	10,895,187	4.1%	100.0%
<b>Total Draft Expenditures</b>	<b>236,783,646</b>	<b>100.0%</b>	<b>-</b>	<b>247,346,843</b>	<b>100.0%</b>	<b>-</b>	<b>254,153,155</b>	<b>100.0%</b>	<b>-</b>	<b>263,223,963</b>	<b>100.0%</b>	<b>-</b>

\* More than 80% of the costs are committed



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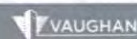


## Consideration of Additional Resource Requests



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## Additional Resource Requests (ARRs)

- ARR must be prioritized
- 126 requests totalling a combined \$18.7m
- All funding requests submitted have merit
- Significant time spent reviewing
- Over \$2.5m in offsets
- Some redistributed with 4 years
- \$3.9m deferred beyond the plan without guarantee

*Not optimal, but necessary to  
minimize tax pressures*



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## ARR Element Summary

Highlights & Major Budget Elements	2013		2014		2015		2016	
	\$	Rate Incr.	\$	Rate Incr.	\$	Rate Incr.	\$	Rate Incr.
<i>Additional Resource Requests</i>								
- Community safety (Fire)	1,773,036	1.19%	782,364	0.51%	1,793,138	1.11%	799,825	0.47%
- Community & library services	362,291	0.24%	786,729	0.52%	2,900,245	1.80%	1,713,691	1.01%
- City building initiatives	179,411	0.12%	562,830	0.37%	543,544	0.34%	90,381	0.05%
- Operational Requirements	533,583	0.36%	1,393,510	0.91%	295,104	0.18%	1,012,233	0.60%
<b>Total Budget Change</b>	<b>2,848,321</b>	<b>1.92%</b>	<b>3,525,433</b>	<b>2.31%</b>	<b>5,532,031</b>	<b>3.43%</b>	<b>3,616,130</b>	<b>2.13%</b>
<b>Average Residential Tax Bill Adj.</b>	<b>\$27</b>		<b>\$33</b>		<b>\$51</b>		<b>\$34</b>	

Year	Staffing		Growth Related		New Initiatives		Total \$ Value (\$Mil.)	
	Comps.	FTEs	Net \$ Mil.		Net \$ Mil.		Gross	Net
2013	45	41.0	\$ 2.5		\$ 0.3		\$ 4.6	\$ 2.8
2014	36	32.1	\$ 1.9		\$ 1.5		\$ 3.9	\$ 3.4
2015	73	61.3	\$ 4.8		\$ 0.4		\$ 5.4	\$ 5.2
2016	42	38.1	\$ 1.9		\$ 1.5		\$ 3.4	\$ 3.4
2017+	30	32.6	\$ 3.1		\$ 0.7		\$ 3.9	\$ 3.9
<b>Total</b>	<b>225</b>	<b>205.0</b>	<b>\$ 14.2</b>		<b>\$ 4.5</b>		<b>\$ 21.1</b>	<b>\$ 18.7</b>

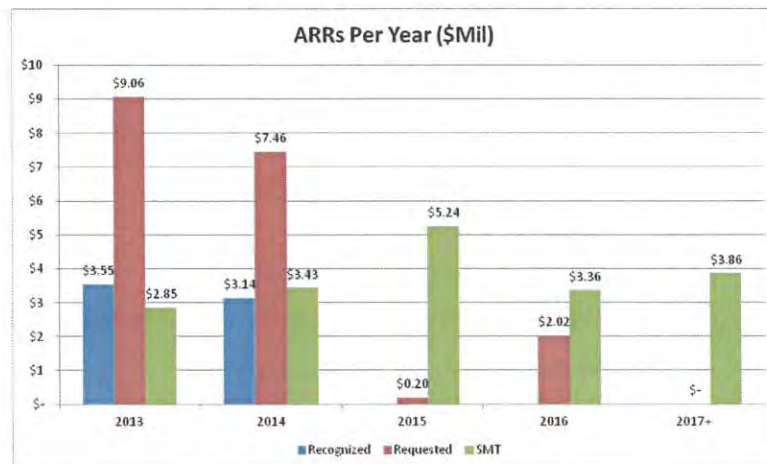


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## ARR Summary



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## 2013 SMT Recommended ARRr

#	Department	Description	# of Positions	2013 Net FTE	2013 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
<b>2013 Base Budget Increase</b>								
<b>Zero Budget Impact ARRr</b>								
A1	Building Standards	Zoning By-law Review	4	4.00	(270)	(270)	0.00%	2.68%
A2	Dev/Trans. Eng	VMC Development Implementation Project	3	3.00	-	(270)	0.00%	2.68%
A3	Dev/Trans. Eng	Transportation Engineer	1	1.00	-	(270)	0.00%	2.68%
A4	Building Standards	Mechanical Building Inspectors	2	2.00	-	(270)	0.00%	2.68%
A5	Building Standards	Plans Examiner/Inspector (Mechanical/Plumbing/F	1	1.00	-	(270)	0.00%	2.68%
A6	ITM	Client Support Analyst	1	-	-	(270)	0.00%	2.68%
A7	ITM	Client Support Analyst (FTE Conversion)	2	-	-	(270)	0.00%	2.68%
<b>Budget Impact ARRr</b>								
1	Parks & Forestry Operatic	Sidewalk: Thomas Cook Ave/Thornhill Woods Driv	-	-	40,000	39,730	0.03%	2.71%
2	Strategic Planning	Strategic Planning Business Analysts	1	1.00	97,181	138,911	0.07%	2.77%
3	Policy Planning	Planner 1	1	1.00	91,807	228,808	0.08%	2.83%
4	Strategic Planning	PM Software Maintenance Costs	-	-	10,000	238,808	0.01%	2.84%
5	ITM	Systems Analyst/Proj. Leader (CLASS)	1	1.00	115,551	354,159	0.08%	2.92%
6	Parks & Forestry Operatic	Soccer Field Maintenance	-	-	5,585	359,724	0.00%	2.92%
7	PW - Roads	Roads Labourer	1	1.00	53,305	413,029	0.00%	2.96%
8	PW - Roads	Equipment Operator II - Heavy Equipment Operato	2	2.00	138,133	551,162	0.00%	3.05%
9	B&F	Facility Operator I - Vellore Vill. CC Expansion	1	1.00	56,715	607,877	0.04%	3.09%
10	Development Planning	DTA Co-ordinator	1	1.00	79,581	687,438	0.05%	3.14%
11	Parks & Forestry Operatic	Tree Pruning (routine street pruning)	-	-	140,250	833,888	0.10%	3.24%
12	Eng. Services	Utility Inspector (PT Conversion)	1	0.67	5,330	839,024	0.00%	3.25%
13	Economic & Business De	Employment Zone, VMC Marketing	-	-	50,000	889,024	0.03%	3.28%
14	Parks & Forestry Operatic	Forestry Arborist	1	1.00	69,672	958,696	0.05%	3.33%
15	Environmental Sustainabi	Local action plan for reducing GHG emissions	-	-	22,500	981,196	0.02%	3.34%
16	HR	Redevelopment of Staff Appraisal Forms	-	-	50,000	1,031,196	0.03%	3.37%
17	Commissioner of Commu	Administrative Assistant	1	0.31	44,089	1,075,285	0.03%	3.40%
18	Fire & Rescue Operations	STN 75 - 16 Firefighters & 4 Captains	20	20.00	1,773,036	2,848,321	1.19%	4.60%
<b>Total of ARRr Recommended by Senior Management Team</b>			<b>45</b>	<b>40.98</b>	<b>\$ 2,848,321</b>		<b>1.92%</b>	



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Total	4.60%
Base	2.68%
ARRr	1.92%

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## 2014 -2016 ARR Highlights

### 2014 Highlights

- District Chiefs \$560k
- Parks (Various) \$460k
- Building and Facilities (Various) \$ 430k
- ITM (Various) \$420k

### 2015 Highlights

- City Hall Resource Library - \$2.9m
- Station 7-8 Engine Fire Fighters - \$1.8m

### 2016 Highlights

- Avondale (North Maple) Park \$610k
- Carrville CC Facility Operators \$590k
- District Chiefs \$570k



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## ARRs Supporting Vaughan's Vision

- Zoning By-law Review
- VMC development implementation project
- Business Development Resources
- Strategic Planning Analysts
- Performance Measurement
- Local Action Plan for reducing GHG emissions
- Climate Change Adaption Research
- Electric Vehicle Municipal Feasibility Program
- On-Line Citizen Engagement
- Electronic Document Management Systems
- Etc.



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## Building The Budget



Components	2013			2014			2015			2016		
	Rate Incr.	\$ (m)	Bill Incr.	Rate Incr.	\$ (m)	Bill Incr.	Rate Incr.	\$ (m)	Bill Incr.	Rate Incr.	\$ (m)	Bill Incr.
Base Budget	2.68%	3.98	\$37.33	2.45% (see note)	3.92	\$35.73	1.57% (see note)	2.64	\$23.94	3.24% (see note)	5.69	\$49.04
ARR	1.92%	2.85	\$26.67	2.25%	3.53	\$33.27	3.34%	5.53	\$52.06	2.09%	3.62	\$36.96
<b>Subtotal</b>	<b>4.60%</b>	<b>6.83</b>	<b>\$64</b>	<b>4.70%</b>	<b>7.45</b>	<b>\$69</b>	<b>4.91%</b>	<b>8.17</b>	<b>\$76</b>	<b>5.33%</b>	<b>9.31</b>	<b>\$86</b>
Hospital Levy	0.91%	1.29	\$10.72									
<b>Grand Total</b>	<b>5.51%</b>	<b>8.12</b>	<b>\$75</b>	<b>4.70%</b>	<b>7.45</b>	<b>\$69</b>	<b>4.91%</b>	<b>8.17</b>	<b>\$76</b>	<b>5.33%</b>	<b>9.31</b>	<b>\$86</b>



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## Cost of Municipal Services

	2013	2014	2015	2016
FIRE AND RESCUE SERVICES*	\$358	\$362	\$374	\$369
PUBLIC WORKS & ROAD SERVICES	\$328	\$347	\$359	\$367
VAUGHAN PUBLIC LIBRARIES*	\$126	\$123	\$149	\$125
RECREATION*	\$125	\$122	\$121	\$134
INFRASTRUCTURE	\$121	\$122	\$129	\$141
PARKS	\$119	\$122	\$119	\$128
WASTE MANAGEMENT	\$82	\$83	\$87	\$92
CORPORATE ADMINISTRATION	\$77	\$118	\$149	\$211
BUILDINGS AND FACILITIES	\$74	\$77	\$74	\$81
DEVELOPMENT	\$47	\$49	\$39	\$37
<b>TOTAL</b>	<b>\$1,457</b>	<b>\$1,525</b>	<b>\$1,600</b>	<b>\$1,685</b>



\*Based on average residential assessment

\*Building & Facility costs included in Fire, Recreation, and Library categories

Note – Corporate Admin increase due to contingency and capital requirements



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## Household Spending Comparison

### Taxes In Perspective

<u>Typical Household Costs</u>	<u>Annual*</u>	<u>Monthly**</u>
Hydro (Avg 1000Kwh consumption/month)	\$1,675	\$140
Natural Gas (Based on 1500-2000sqft home)	\$1,126	\$95
60L of gas/week	\$3,975	\$330
Car Insurance (Avg GTA premium)	\$2,023	\$170
Dinner (2 adults @2x/month)	\$1,200	\$100

Figures based on local service provider information



<b>TOTAL CITY SERVICES</b>	<b>\$1,457</b>	<b>\$121</b>
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Based on the Draft 2013 Operating Budget (Base + ARR's)

- Over 30 Dept's offering 100s of services & programs
- For less than many household expenses



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## Next Steps

- Capital Budget
- Amortization/Contributions
- User Fees
- Council Budgets
- Committee requested Items



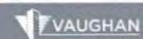
### Next Meeting Dates

- Nov. 26<sup>th</sup> 7:00 p.m. - 10:00 p.m.
- Dec. 3<sup>rd</sup> 9:30 a.m. - 12:00 p.m.
- Dec. 10<sup>th</sup> 7:00 p.m. - 10:00 p.m.
- Jan. 14<sup>th</sup> 7:00 p.m. - 10:00 p.m.
- Jan. 21<sup>st</sup> 9:30 a.m. - 12:00 p.m.



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THANK  
YOU

## Discussion Q & A



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