Special Council Report

DATE: Wednesday, February 20, 2019 **WARD(S):** ALL

TITLE: DRAFT 2019 BUDGET AND 2020-2022 FINANCIAL PLAN (REFERRED)

FROM:
Michael Coroneos, Chief Financial Officer and City Treasurer

ACTION: DECISION

Purpose

The purpose of this report is to present the Finance, Administration and Audit Committee with the Draft 2019 Budget and 2020-2022 Financial Plan and the corresponding tax adjustments, water and wastewater rates and stormwater charge increases that, if adopted, would allow the City to continue providing a wide range of services and infrastructure to Vaughan households and businesses.

Report Highlights

- The Draft 2019 Budget and 2020-2022 Financial Plan focuses on investments in transformational city-building and Service Excellence Initiatives.
- The proposed property tax supported operating budget for 2019 is approximately $310 million in gross expenditures which includes a proposed tax levy increase of 3.0 per cent.
- The proposed water and wastewater rate and the stormwater charge supported operating budget for 2019 is approximately $180 million in gross expenditures. The combined 2019 rate increase for water and wastewater is $0.4115 per cubic metre, or 9.9 per cent over the 2018 combined water and wastewater rate.
- The draft 2019 capital budget amounts to approximately $166 million and the 2020-2022 capital plan is forecasted at a total of approximately $521 million.

Recommendations

Council, at its meeting of February 12, 2019, adopted Finance, Administration and Audit Committee, (Report No. 4, Item 1):

1) That the report of the Chief Financial Officer and City Treasurer dated January 21, 2019 be referred to the February 20, 2019 Special Council meeting at 7:00 p.m. to continue deliberations;

2) That the following be approved in accordance with Communication C1, memorandum from the Interim City Manager and the Chief Financial Officer & City Treasurer, dated January 31, 2019 and be referred to the Special Council meeting of February 20, 2019 to continue deliberations:

    1. That the draft 2019 property tax operating budget be amended to add a new additional resource for a full-time permanent complement of an Internal Audit Project Manager position;

    2. That a fiscally net neutral 2019 budget adjustment be made from Vaughan Public Libraries to Internal Audit to cover expenses related to the additional resource, in the amount up to $70,000 as determined by the Interim City Manager; and

    3. That the Draft 2019 Budget Book Volumes 1, 2 and 3 be amended to reflect this budget adjustment;

3) That the Region of York be requested to make a presentation to the City of Vaughan for the 2020 budget at an evening meeting;

4) That the presentation by staff and Communication C3, presentation material entitled, “Draft 2019 Budget and 2020-2022 Financial Plan”, be received;

5) That Communication C2, memorandum from the Chief Financial Officer & City Treasurer, dated January 31, 2019, be received; and

6) That the following deputations, be received:
    1. Mr. Kevin Hanit, Queensbridge Drive, Concord;
    2. Mr. Sam Maltese, Vaughan World Series Slo-Pitch League, Royal Ridge, Maple;
    3. Mr. Richard Lorello, Treelawn Boulevard, Kleinburg;
    4. Mr. Robert Kenedy, MacKenzie Ridge Ratepayers’ Association, Giorgia Crescent, Maple;
    5. Ms. Heidi Last, Glacier Court, Vaughan; and
    6. Ms. Maria Verna, Village of Woodbridge Ratepayers’ Association, Woodbridge Avenue, Woodbridge.

Recommendation of the Finance, Administration and Audit Committee, at its meeting of January 21, 2019:

The Finance, Administration and Audit Committee, at its meeting of January 21, 2019, recommended Finance, Administration and Audit Committee, (Report No. 2, Item 1):

1) That the report of the Chief Financial Officer and City Treasurer dated January 21, 2019 be referred to the February 4, 2019 Finance, Administration and Audit Committee meeting at 7:00 p.m. to continue deliberations;

2) That the presentation by the Chief Financial Officer & City Treasurer and C1, presentation material titled “Draft 2019 Budget and 2020-2022 Financial Plan”, be received; and

3) That the following deputations and Communication, be received:
   1. Mr. Kevin Hanit, Queensbridge Drive, Concord;
   2. Mrs. Sunder Singh, Ellerby Square North, Woodbridge;
   3. Mr. Adriano Volpentesta, America Avenue, Vaughan;
   4. Ms. Meezan Kotylo, Bradgate Drive, Thornhill;
   5. Mr. Antonio Ienco, Islington Avenue, Vaughan, and C2, presentation material titled “Vaughan International Film Festival”;
   6. Mr. Savino Quatela, Grand Valley Boulevard, Maple;
   7. Mr. Paul Ciaravella, Sherwood Park Road, Vaughan;
   8. Mr. Jean-Francois Obregon, Laurel Valley Court, Concord;
   9. Ms. Mary Bowers, Royalpark Way, Woodbridge; and
   10. Mr. Richard Lorello, Treelawn Boulevard, Kleinburg.

Recommendation and Report of the Chief Financial Officer and City Treasurer, dated January 21, 2019:

Recommendation:

1. That the presentation on the Draft 2019 Budget and 2020-2022 Financial Plan (the "2019 Budget Book") be received;
2. That Council approve the 2019 tax supported operating budget with budgeted operating gross expenditures of $310 million and budgeted revenues of $310 million;
3. That Council approve the 2019 water and wastewater rates and stormwater charge supported operating budget (collectively the "Rate Budgets") with budgeted operating gross expenditures of $180 million and budgeted revenues of $180 million;
4. That the list of 2019 capital projects, together with their total costs in the amount of $166 million, summarized in Volumes 1 and 2 and detailed in Volume 3 of the 2019 Budget Book, be approved subject to annual capital funding;
5. That the list of 2020-2022 capital projects together with their total costs, outlined in Volume 3 of the 2019 Budget Book, be recognized;
6. That the Draft 2019 operating and capital spending authority be approved, and the 2020-2022 plan be recognized as outlined in the 2019 Budget Book Volumes 1, 2 and 3.
7. That for user fees and service charges:
   a. The schedules outlined in Volume 3 of the 2019 Budget Book be approved;

b. That the necessary by-laws become effective when approved by Council;
c. That water and wastewater rate changes be effective April 1, 2019; and
d. That the Treasurer be authorized to revise Harmonized Sales Tax (HST) applicability for user fees and service charges as required by legislation; and

8. That this matter and any comments received be referred to the next Finance, Administration and Audit Committee to continue deliberations

Background

Citizen Satisfaction Survey shows that residents are happy with the programs and services provided by the City

Since 2007, the City of Vaughan has conducted citizen satisfaction surveys to gather input from residents on the quality of life in Vaughan, the overall delivery of City services and the management of tax dollars. The City values the feedback and opinions of its residents so that ii can build on its success and further improve on what matters most to citizens.

Findings from the 2018 Citizen Satisfaction Survey indicate that 97% of respondents felt the quality of life in the City was very good or good. In addition, 91% of respondents indicated that they were satisfied or very satisfied with the delivery of all services

provided by the City. Furthermore, the proportion of respondents who believe they receive good value for their tax dollars was approximately 82%.

The communication plan encourages citizens to be informed and involved in the City's budget

The City of Vaughan invites and encourages residents and local businesses to help shape Vaughan's promising future and build on its success.

A comprehensive multi-channel public communication plan has been developed to support the budget and to help ensure Vaughan residents have opportunities to be provide feedback and learn about the budget. The plan consists of a mix of communication channels including print, online and in person to ensure all resident can be informed and involved in their preferred format. These include:

- Print material (flyers and posters) distributed to community centres, libraries, seniors' groups, ratepayer associations;
- Advertisements, including meeting dates, times and topics to be covered;

- Media outreach;
- Public meetings that are also streamed online;
- Enhanced web content; and
- Online feedback form and telephone hotline.

Feedback received will be incorporated into presentations at the public meetings.

Public Outreach on the Budget Process Occurs Year-round

Outreach on the budget process is often a year-round activity for the administration, both in formal and informal settings. In 2018, Finance staff continued its Community Engagement Initiative by having a Financial Sustainability booth at the City's Winterfest and Canada Day events. Staff engaged the public through priority setting games, surveys on value for services and general education/discussions on the financial and infrastructure issues within the City. Staff intend to continue with this initiative in 2019.

Continuous Improvements in Budget Book Enhance Usability

Every year staff strive to make improvements to present clear and easy to understand content in the budget book to help enhance its usability. This year, the Budget Book continues to utilize a user-friendly layout and is divided into 3 volumes for ease of navigation.
The draft 2019 budget outlined in the attached 2019 Budget Book sets out staff's recommended operating allocations to deliver the City's programs and services over the next year including additional resource requests. It also provides information about major transformational city-building initiatives that are underway, recommended new capital projects and forecasts for the City's obligatory and discretionary reserves. Investments in the Service Excellence Initiative projects proposed in the 2019 Budget Book will help achieve efficiencies to ensure we can continue maintaining modest tax rate increases that are aligned with Council priorities.

Previous Reports/Authority

http://www.vaughan.ca/council/minutesagendas/AgendaItems/FinancePM1113_17_1.pdf

Analysis and Options

The Draft 2019 Budget includes investments in transformational city-building and Service Excellence Initiatives

The Draft 2019 Budget and 2020-2022 Financial Plan supports the City's vision of being a 'City of Choice' by including investments in transformational city-building and Service Excellence Initiatives. The City is committed to continuing to provide value to its citizens

by improving the citizen experience, managing growth and delivering services more effectively and efficiently including identifying opportunities to use technology and apply digital strategies. This is being done while minimizing the impact of tax, water, wastewater and stormwater rates and charge increases on Vaughan's residents and businesses, striving towards long-term financial sustainability, and that growth pays for growth to the fullest extent possible.

Financial Sustainability is always a key priority for the City.

Earlier in 2017, City Council approved a new Fiscal Framework through the Financial Sustainability Service Excellence initiative. This framework included guiding principles to inform staff and Council on decision making related to financial matters. In alignment with the Guiding Principles, the objective of the City's financial planning process is to develop a multi-year budget that balances the need to maintain existing services, accommodate growth requirements, undertake corporate initiatives and safeguard water resources against the City's capacity to fund them. The City's financial management policies and practices are based on legislation and best practices to maintain the City's strong financial position. The Draft 2019 Budget and 2020-2022 Financial Plan reflects these principles.

Financial Impact

Property tax levy increase is proposed at three per cent for 2019

The proposed 2019 property tax supported operating budget includes gross expenditures of $310.3 million, which includes a property tax increase of three per cent, For an average residential property assessed at $891,000, this represents an increase of approximately $ 53. If adopted as presented, the draft 2019 property tax supported operating budget would have the following economic impacts:

Table 1: Draft 2019 Property Tax Supported Operating Budget

$M	**2018 Approved**	**2019 Proposed Budget**
Gross Operating	292.5	310.3
Less: Non-Tax Revenue	94.9	103.7
Net Operating	197.6	206,6
Assessment Growth	3,5	3.3
Supplemental Taxation and PIL	5.9	5.9
Net Levy Requirement	188.2	197.4
Incremental Levy Requirement	5.2	5.7
Incremental Tax Rate	**2.89%**	**3.00%**

Note: Some numbers may not add up due to rounding

Property Tax Supported and Rate Budgets Tabled Together

The priorities set by Council in the current Term of Council Service Excellence Strategy Map has helped inform the development of the 2020-2022 operating and capital forecast. A new 2018-2022 Strategy Map that builds on the success of current strategic plan is underway and expected to be completed in Q1 2019.

The draft 2020-2022 Plan assumes that property tax rate increases of no more than three percent will continue to be adopted as a framework for the City's administration to follow. The administration will need to continue to find ways to leverage leading practices and innovation to help drive efficiencies and address rising costs in order to achieve this objective.

The draft 2020-2022 Financial Plan will continue to be refined and be better informed as the City progresses on asset-management planning and long-range fiscal planning initiatives.

The following table presents the 2019 proposed budget and 2020-2022 forecasted gross operating expenditures by Portfolio/Office.

Table 2: Gross Expenditures by Portfolio/Office

$M	2018 Approved	2019 Proposed Budget	2020 Plan	2021 Plan	2022 Plan
Community Services					
Fire and Rescue Services	49.5	51.5	53.3	55.3	57.0
Recreation and Other Community Services	54.9	55.9	56.9	57.8	59.1
	104.4	107.4	110.2	113.1	116.1
Public Works	221.4	242.5	261.1	272.6	281.7
Planning and Growth Management	26.3	29.0	28.8	28.8	29.5
Corporate Services	28.6	29.2	30.4	31.9	32.5
Vaughan Public Libraries	19.2	19.6	21.3	21.7	22.3
Other Offices	53.9	62.7	65.3	68.3	71.3
Combined Tax and User Rate Gross Expenditures	453.8	490.3	517.1	536.3	553.4
Less: Water, Wastewater, and Stormwater	161.3	180.0	198.0	208.6	216.0
Tax Rate Gross Expenditures	**292.5**	**310.3**	**319.1**	**327.7**	**337.3**

Note: Some numbers may not add up due to rounding

Water, Wastewater and Stormwater Operating Budget

Safe drinking water, effective wastewater collection and stormwater management are cornerstones of a sustainable and healthy community. The 2019 Water, Wastewater and Stormwater draft budgets and rates provide funds to support the City's water, wastewater and stormwater services by moving towards financial sustainability in accordance with the Safe Drinking Water Act, Ontario Water Resources Act and Environmental Protection Act.

Continued investment in infrastructure renewal is critical to ensure water, wastewater and stormwater services are sustainable in the future. This objective is supported by continuing to build City reserves. The combined draft rate increase for water and wastewater is 9.9% which covers a 9.0% rate increase from the Region of York, which accounts for 76% of the City's expenses. The 2019 draft water and wastewater rates will generate a combined net contribution of $18.9 million to reserves thus continuing the City's move towards long-term financial sustainability of the City's water and wastewater system and services.

Based on the draft rate increase for water and wastewater the impact to the ratepayer that consumes 267 cubic metres will be approximately $109.87 annually or $9.16 per month.

The 2019 stormwater charge will increase by an average of 4.4 per cent over the 2018 charge, which includes a $2.4 million reserve contribution. Planned charge increases must continue in future years to build stormwater reserves to meet future infrastructure needs.

The Draft 2019 Budget includes capital investments of approximately $166 million and the 2020-2022 Capital Plan is forecasted at approximately $521 million

The 2019 proposed capital projects reflect investments that support Council priorities, infrastructure renewal requirements and service excellence initiatives. These investments look to ensure that the necessary assets are in place to support a vibrant, sustainable community while maintaining existing infrastructure in a good state of repair.

The City is committed to make capital investments to ensure that the necessary infrastructures are in place to support a vibrant, sustainable city.

Proposed capital projects are to support Council priorities. The following table highlights the alignment of capital investment to Council priorities and the City's commitment to service excellence.

($Ml	# of Projects	2019 Budqet	2020-2022 Plan	Total
Council Priorities	**430**	**146.5**	**423.6**	**570.1**
Transportation and Mobility	86	57.9	186.6	244.5
Land Use and City Building	248	29.3	135.4	164.7
Environmental Stewardship	45	44.1	62.1	106.2
Safe, Active and Engaged Communities	45	14.0	37.7	51.7
Good Governance	6	1.3	1.7	2.9
Service Excellence Strategic Initiatives	**163**	**19.3**	**97.8**	**117.1**
Citizen Experience	81	9.6	74.4	84.0
Operational Performance	78	9.5	22.7	32.2
Staff Engagement	4	0.2	0.7	1.0
Total New Capital Projects	**593**	**165.8**	**521.4**	**687.2**

Broader Regional Impacts/Considerations

The Water and Wastewater Rate Budgets include wholesale water and wastewater program purchases from the Region of York for 2019 representing 76 per cent of the City's combined water and wastewater costs.

The residential and business tax bills include levies from the City of Vaughan, the Region of York and the Province. The proposed tax levy increase presented in the 2019 Budget Book is for the City's share, which is approximately 28% of a residential tax bill based on the average assessment value of $891,000. The Region's budget will be tabled to York Region's Council on January 31st, 2019.

Conclusion

The Draft 2019 Budget and 2020-2022 Financial Plan delivers on the City's mission of Citizens First Through Service Excellence and balances the needs of managing unprecedented growth, investing in infrastructure and supporting economic development while respecting citizens' hard-earned tax dollars.

For more information, please contact:

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Dean Ferraro, Director, Financial Services, ext.8272

Attachments

1. Draft 2019 Budget Book:
    a. Draft 2019 Budget and 2020-2022 Financial Plan Volume 1 - Budget Overview
    b. Draft 2019 Budget and 2020-2022 Financial Plan Volume 2- Department Budgets
    c. Draft 2019 Budget and 2020-2022 Financial Plan Volume 3 - Appendices and Proposed User Fees/Service Charges

Attachments have been posted on-line and a hard copy of each attachment is on file in the Office of the City Clerk. They can be found by clicking on this link.

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