



Special Committee of the Whole (Budget) Report

DATE: Wednesday, January 18, 2023

WARD(S): ALL

TITLE: PROPOSED 2023 BUDGET AND 2024-2026 FINANCIAL PLAN

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

ACTION: DECISION

Purpose

To present the proposed 2023 Budget and 2024-2026 Financial Plan, tax-levy requirements, the water and wastewater rates, and stormwater charges that allow the City to provide services and infrastructure to Vaughan households and businesses.

Report Highlights

- The objective of the 2023 Budget and 2024-2026 Financial Plan is to balance investing in the community and maintaining financial sustainability, while minimizing tax and utility rate increases.
- The proposed 2023 tax supported gross operating budget is \$355.0 million, and the 2024-2026 plan is forecasted at \$1.2 billion.
- The proposed property tax increase for the 2023 Budget is 2.9 percent.
- The proposed total 2023 water, wastewater, and stormwater operating budget is \$190.8 million, and the 2024-2026 plan is forecasted at \$612.2 million.
- The combined 2023 rate increase for water and wastewater is \$0.1602 per cubic meter, or 3.3 percent over the 2022 combined rate.
- The average stormwater charge increase, to help maintain the reserve is 5.2 percent.
- The 2023 Budget includes the addition of 48.7 new FTEs.
- The proposed 2023 capital budget is \$444.2 million, and the 2024-2026 Capital Plan is forecasted at \$583.8 million.

Recommendations

1. That the consolidated City of Vaughan's proposed 2023 Budget and 2024-2026 Financial Plan, as attached in volumes 1, 2 and 3, be received and approved, including:
 - a. Tax-supported 2023 operating budget with gross expenditures of \$355.0 million;
 - b. Net tax-levy increase of \$6.4 million;
 - c. Rate-supported water, wastewater, and stormwater operating budget of \$190.8 million; and
 - d. 2023 total Capital Budget of \$444.2 million for 286 projects.
2. That all necessary by-laws be enacted; and
3. That the Deputy City Manager, Corporate Services, City Treasurer, and Chief Financial Officer be authorized to make any necessary in-year administrative amendments to the approved 2023 operating and capital budgets.

Background

The Financial Sustainability Guiding Principles direct 2023 budget development

Council endorsed the Financial Sustainability Guiding Principles in 2017, which represent responsible fiscal management and provide a conceptual approach to making decisions that address short and long-term financial impacts. Three guiding principles mirror a category of financial pressure prevalent in Vaughan due to the rapid pace of growth.

Guiding Principle 1: Consideration Towards Existing Service Levels

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

Guiding Principle 2: Growth Pays for Growth

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

Guiding Principle 3: New Initiatives to Enhance the City

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

The proposed Budget and Financial Plan was developed with commitments to investing in the community's future in response to growth demand and building on the citizen experience through new transformation initiatives that will yield significant impacts to residents and businesses of the City of Vaughan. It was also developed factoring the

impacts of global supply chain issues, high inflation, and high interest rates with the potential for an economic downturn for the provincial, national, and global economies, while planning for a recovery from COVID-19. The City recognizes these challenges and continues to implement measures to support its residents and businesses during this challenging time. The objective is to provide a balance between investing in the community and maintaining financial sustainability while minimizing the tax and utility rate increases on Vaughan's residents and businesses.

The City's Budget and Financial Plan was developed over the past several months

The timeline for budget development and approval was as follows:

- Strategic Business Planning – January – April 2022
- Budget Kick-Off – May 2022
- City-Wide Budget Development – June – July 2022
- Departmental Budget Submissions – July 2022
- City Manager/Senior Leadership Team Budget Reviews and Prioritization – August – September 2022
- Budget Book Development and Completion – October – December 2022
- Special Committee of the Whole (Budget) reviews – January 2023

Previous Reports/Authority

[Proposed 2022 Budget and 2023 - 2026 Financial Plan \(Referred\)](#), Item 1, Report No. 57 of the Special Committee of the Whole (Budget), December 7, 2021

[Financial Sustainability Program and Fiscal Framework Guiding Principles](#), Item 3, Report No. 1 of the Finance, Administration and Audit Committee, January 24, 2017

Analysis and Options

The proposed 2023 Budget and 2024-2026 Financial Plan focuses priorities to deliver on the City's mission of Citizens First Through Service Excellence. These priorities are:

- Managing unprecedented growth,
- Investing in infrastructure,
- Supporting economic development, and
- Providing service excellence.

A primary objective in developing the 2023 Budget was to deliver on these priorities in a fiscally challenging environment that includes rising inflation, high interest rates and the recovery from COVID-19. The Budget supports financial sustainability by ensuring residents continue to receive programs and services at acceptable levels of taxation, fees, and utility rates.

- The proposed 2023 Budget and 2024-2026 Financial Plan reflects the City's on-going efforts to deliver cost effective programs and services to residents and businesses.
 - o The proposed property tax supported operating budget for 2023 includes \$355.0 million in gross expenditures, \$118.8 million in non-tax revenues, and 48.7 new FTEs.
 - o Total incremental increase of \$9.7 million in net expenditures.
 - o Assessment growth forecast for 2023 is 1.5 percent, or \$3.3 million in additional tax revenue to the City to address growth-related cost pressures.
 - o Proposed tax increase of 2.9 percent.
 - o The property tax supported operating plan for 2024-2026 is \$1.2 billion.
- The proposed water, wastewater and stormwater rate supported operating budget for 2023 includes \$190.8 million in revenues, \$174.9 million in expenditures, and no new FTEs:
 - o The combined 2023 rate increase for water and wastewater is \$0.1602 per cubic meter, or 3.3 percent over the 2022 combined water and wastewater rate.
 - o An average stormwater rate increase of 5.2 percent is included to help maintain the stormwater reserve.
 - o Total forecast 2023 contributions to the water, wastewater, and stormwater reserves of \$15.9 million.
 - o The water, wastewater and stormwater rate supported operating plan for 2024-2026 is \$612.2 million.
- The proposed 2023 capital budget is \$444.2 million, and the 2024-2026 Capital Plan is forecasted at \$583.8 million.

Public Engagement

The City of Vaughan encourages citizens to be informed and involved in the City's budget and 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 with support from Corporate and Strategic Communications to help ensure Vaughan residents have opportunities to provide feedback and learn about the budget. The communication plan for the 2023 budget meetings includes a mix of print and online ads, digital signage, and both paid and organic social media content, among other tactics, to ensure all residents can be informed and involved safely in their preferred format.

If residents want to be involved in the budget process, they can:

- Attend public meetings live by tuning into vaughan.ca/LiveCouncil on January 18 and 24, 2023, as well as February 8, 2023, at 7 p.m.
- Fill out the budget feedback form at vaughan.ca/budget

- Join the conversation on social media using **#VaughanBudget2023**
- Leave a voicemail on the Budget Hotline at **905-832-8610**
- Email questions and comments to budgeting@vaughan.ca
- Have your say at a budget meeting by [speaking to Council](#)

Feedback received will be incorporated into presentations at the public meetings

In addition to informing citizens about Vaughan's 2023 Budget and 2024-2026 Financial Plan, the City also shares information related to York Region's budget, such as York Region's budget meeting dates, through the Vaughan.ca/budget webpages. Relevant links to York Region budget information are also incorporated into City of Vaughan budget communication products.

Continuous improvements to enhance budget book usability

Each year staff strive to present clear and easy-to-understand content and enhance the transparency and usability of the budget book. The 2023 budget book introduces a financial plan for operating budgets. It also builds on the key performance indicators (KPI's) and other changes introduced in prior years that are considered best practice by the Government Finance Officers Association (GFOA), and mandatory requirements for the Distinguished Budget Presentation Award. The 2023 budget book continues to build on the award-winning format of providing a three-volume layout for ease of navigation and transparency.

The proposed 2023 Budget and 2024-2026 Financial Plan as presented and detailed in the attached budget books, outlines the recommended operating allocations to deliver the City's programs and services for 2023, including additional resource requests. The budget books also provide information on major transformational city-building initiatives that are underway, proposed new capital projects, and forecasts for the City's reserves. Investments in the Service Excellence Strategic Priorities proposed in the 2023 Budget and 2024-2026 Financial Plan align with Council's priority to ensure the City maintains low to modest tax rate increases.

Infrastructure Funding Gap

The City of Vaughan continues to examine the fiscal realities of building, operating, maintaining, and replacing capital infrastructure assets for a growing City. With the services of Hemson Consulting, City of Vaughan has developed a Long-Range Fiscal Plan and model that will guide financial decisions for tax supported operations going forward. Key findings from the fiscal model include the following:

- Insufficient current tax rates to fund long-term obligations,
- An estimated infrastructure funding gap between \$1.8 billion and \$2.0 billion over the next 20 years,
- Tax supported infrastructure reserves potentially drop below \$5 million by 2038.

Continuing the current tax levels may deepen the infrastructure funding gap, deplete contribution to reserves for future replacement and repair of assets, and increase the likelihood of substantial tax rate increases in the future.

In an effort to alleviate these pressures, the City has prudently implemented several recommended strategies in the 2023 Budget, such as: optimizing available funding sources, re-assessing service levels, and managing the timing and scope of capital projects. In addition, debt financing strategies have been implemented considering the thresholds established by internal and provincial policies, as well as the longer-term repayment implications from interest rates volatility over time. However, these strategies are not sufficient to close the funding gap.

An option the City could consider in the future is a dedicated Infrastructure Levy which will:

- Provide enhanced contributions to reserves to fund future capital needs,
- Ensure sufficient reinvestments are made in a timely manner to operate and maintain assets,
- Prevent higher maintenance costs resulting from delays in asset repairs and replacements,
- Safeguard our communities from increased health and safety risks and impacted service levels because of deteriorating assets, and
- Maintain the City's standards of Financial Sustainability as set forth above.

As the City continues to employ available approaches to narrow the infrastructure gap, the timely implementation of an infrastructure levy will strengthen the cumulative objectives and results of the fiscal tools and strategies already in progress.

Financial Impact

The proposed property tax increase for the 2023 budget is 2.9 percent, or \$6.4 million

The proposed 2023 tax-supported operating budget requirement is \$226.8 million after adjusting for assessment growth of \$3.3 million, representing a net tax levy increase of \$6.4 million, or 2.9 percent from the 2022 operating budget.

The proposed 2023 tax-supported operating budget and 2024-2026 plan are summarized in Table 1 and Table 2 below:

Table 1: Proposed 2023 Tax-Supported Operating Budget and 2024-2026 Plan

\$M	2021 Year-End Actuals	2022 Approved Budget	2023 Proposed Budget	2024 Plan	2025 Plan	2026 Plan
Gross Operating	322.7	333.2	355.0	373.7	386.6	401.9
Less: Non-Tax Revenue	104.5	107.4	118.8	127.1	129.1	133.2
Payment In Lieu of Taxes	2.6	2.7	2.7	2.7	2.7	2.7
Supplemental Tax	3.2	2.7	3.5	3.5	3.5	3.5
Net Levy	212.3	220.4	230.1	240.4	251.2	262.6
Incremental Levy Requirement	3.0	7.5	9.7	10.4	10.8	11.3
Revenue from Assessment Growth	3.0	3.2	3.3	3.5	3.6	3.8
Revenue from Incremental Tax Rate	0.0	4.3	6.4	6.9	7.2	7.5
Incremental Tax Rate	0.00%	2.00%	2.90%	3.00%	3.00%	3.00%

Note: Some numbers may not add up due to rounding

Table 2: Summary of Gross Operating Expenditures by Portfolio/Office

(\$ M)	2021 Year-End Actuals	2022 Approved Budget	2023 Proposed Budget	2024 Plan	2025 Plan	2026 Plan
Public Works	55.9	60.0	64.0	65.0	65.3	66.1
Vaughan Fire and Rescue Service	55.8	57.4	58.7	59.5	61.2	62.8
Infrastructure Development	42.3	39.1	40.7	41.3	41.8	42.2
Community Services	23.7	26.5	32.6	34.6	36.3	37.1
Planning & Growth Management	26.9	24.3	27.1	27.7	28.0	28.6
Corporate Services & CFO	26.7	28.4	31.2	31.7	32.1	32.6
Administrative Services & City Solicitor	21.1	24.4	26.4	26.7	27.1	27.4
Communications & Economic Development	6.0	7.0	7.7	7.8	8.0	8.1
Vaughan Public Libraries	17.4	22.2	23.1	23.8	24.2	24.5
Other Offices	6.3	7.8	8.1	8.3	8.4	8.5
Financial & Non-Program Items*	49.2	36.1	35.4	47.3	54.1	63.9
Total Tax Supported Gross Expenditures	331.2	333.2	355.0	373.7	386.6	401.9
Add: Water, Wastewater and Stormwater	178.0	179.6	190.8	197.3	204.0	210.9
Total Tax and Rate Supported Gross Expenditures	509.3	512.8	545.8	571.0	590.5	612.8

* includes Reserves and Debt

Other Offices include City Manager, City Council, Internal Audit, Program Management Office, Office of Transformation and Strategy, and Integrity Commissioner

Note: Some numbers may not add up due to rounding; historical actuals may include program changes

Water, Wastewater, and Stormwater Operating Budgets

Safe drinking water, effective wastewater collection, and stormwater management are cornerstones of a sustainable and healthy community. To achieve this, continued infrastructure investments are critical to ensure water, wastewater and stormwater systems are sustainable in the future. The 2023 budgeted rates will generate net total reserve contributions of \$15.9 million to fund water, wastewater, and stormwater-related programs and services.

The combined City of Vaughan 2023 rate increase for water and wastewater is \$0.1602 per cubic meter, or 3.3 percent, over the 2022 rates, driven by the combined approved 3.3 percent increase for wholesale water purchases and wastewater treatment from

York Region. The combined rate increase will permit lifecycle contributions to reserves in the amount of \$12.5 million.

Based on the proposed rate increase for water and wastewater, the impact to the ratepayer that consumes 250 cubic meters per year will be \$40.05 annually or \$3.34 per month.

The 2023 stormwater charge will increase by an average of 5.2 percent over the 2022 charge, with an expected contribution of \$3.4 million to the reserve. Planned charge increases must continue in future years to build water, wastewater, and stormwater reserves to meet future infrastructure needs.

The proposed 2023 Budget includes capital investments of \$444.2 million and forecast investments of \$583.8 million for the 2024-2026 plan

The proposed 2023 capital projects reflect investments that support Council priorities, infrastructure renewal requirements, and service excellence strategic priorities. 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 2023 budget includes investments of \$395.6 million for 112 new capital projects and \$48.6 million investment in 174 existing capital projects. Table 3 highlights the alignment of capital investments to Council priorities and the City’s commitment to service excellence.

(\$M)	2022 Budget	2023 Proposed Budget	2024-2026 Plan	2023-2026 Total	2023-2026 Number of Projects
Term of Council Priorities					
Transportation and Mobility	129.9	118.9	160.4	279.3	62
City Building	38.5	53.9	77.3	131.2	47
Environmental Stewardship	40.7	184.2	73.3	257.4	28
Active, Safe and Diverse Communities	25.7	51.4	115.9	167.3	82
Good Governance	0.5	1.6	0.8	2.4	11
Economic Prosperity, Investment and Social Capital	-	-	-	-	-
Service Excellence Strategic Initiatives					
Citizen Experience	12.7	12.2	58.3	70.5	43
Operational Performance	23.9	22.0	97.7	119.7	302
Staff Engagement	0.1	0.1	0.1	0.2	3
Total New Capital Budget Asks	271.8	444.2	583.8	1,028.0	578

Note: numbers may not add up due to rounding

Broader Regional Impacts/Considerations

The residential and business tax bills include levies from the City of Vaughan, the Regional Municipality of York, and the Province. The proposed tax levy presented in the 2023 budget book represents the City's share of the property tax bill. For every dollar of property tax, \$0.28 funds City services, including Vaughan Fire and Rescue Service and Vaughan Public Libraries.

The water and wastewater rate budgets include wholesale water and wastewater program purchases from York Region for 2023, representing 79 percent of the City's combined water and wastewater costs.

Conclusion

The proposed 2023 Budget and 2024-2026 **Capital** 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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Nancy Yates, Director of Financial Services / Deputy Treasurer, ext. 8984

Attachments

1. Draft **2022** 2023 Budget and **2023** 2024 – 2026 **Capital** Financial Plan:
 - a. Draft **2022** 2023 Budget and **2023** 2024 – 2026 **Capital** Financial Plan Volume 1 – Budget Overview
 - b. Draft **2022** 2023 Budget and **2023** 2024 – 2026 **Capital** Financial Plan Volume 2 – Department Budgets
 - c. Draft **2022** 2023 Budget and **2023** 2024 – 2026 **Capital** Financial Plan Volume 3 – Appendices and Proposed User Fees/Service Charges

Attachments have been posted online 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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