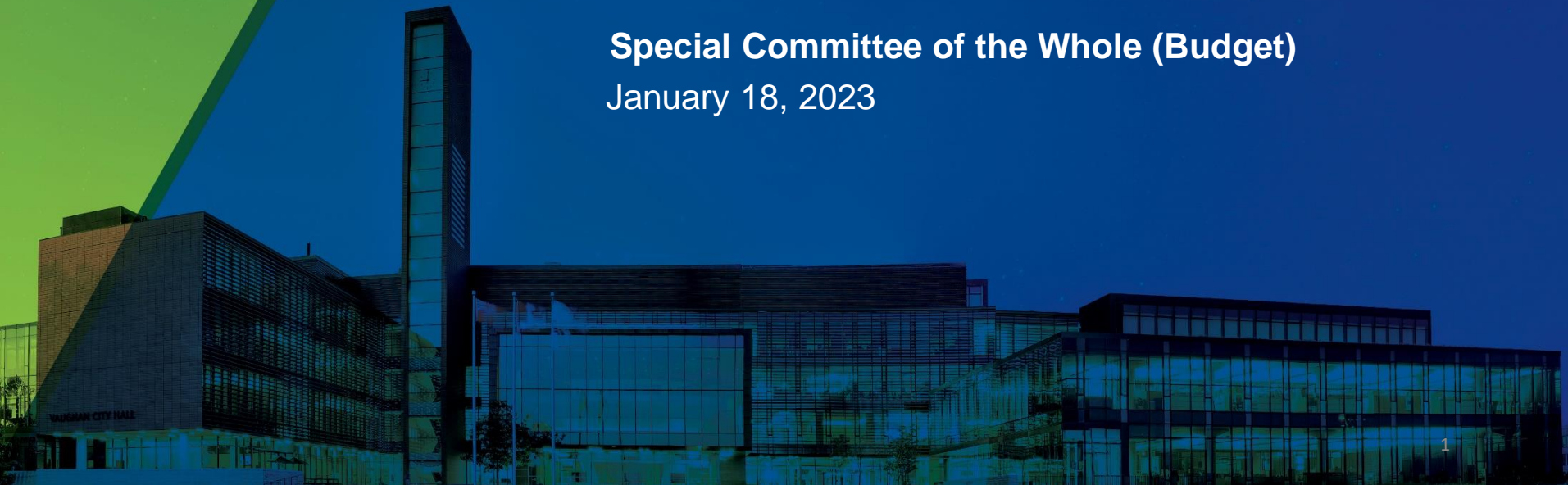


# **Proposed 2023 Budget and 2024-2026 Financial Plan**

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**Special Committee of the Whole (Budget)**  
January 18, 2023



# Term of Council Service Excellence Strategic Plan 2018-2022

**Mission**  
Citizens first  
through Service  
Excellence.

**Vision**  
A city of choice that promotes diversity,  
innovation and opportunity for all citizens,  
fostering a vibrant community life that is  
inclusive, progressive, environmentally  
responsible and sustainable.

**Values**  
Respect  
Accountability  
Dedication

The 2018-2022 Term of Council Service Excellence Strategic Plan reinforces the City of Vaughan's mission, vision and values, representing the core of how the administration will go above and beyond to deliver on Council's priorities through Service Excellence.

The Strategic Plan identifies the strategic priorities that the administration will focus on to support the City of Vaughan in being a City of Choice for both residents and businesses.

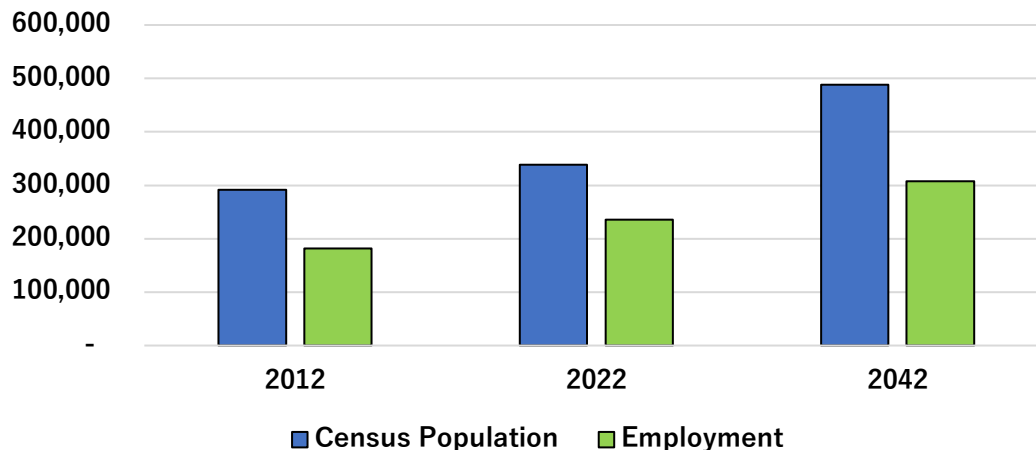


[vaughan.ca/ServiceExcellence](http://vaughan.ca/ServiceExcellence)



# Growth and Sustainability

City of Vaughan:  
Total Population and Employment (2012-2041)



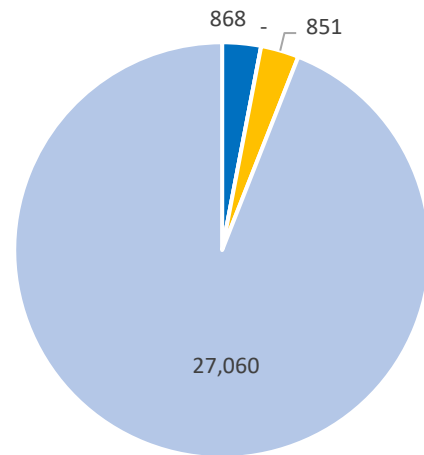
- Strong population growth and development across the City
- Census population growth of 16% since 2012
- Employment growth of 30% since 2012
- By 2042 City expected to grow to approximately 489,000 persons and 307,000 employees



# Growth and Sustainability



Active Residential Development Proposals by Type (Units) – As of November 2022



■ Singles ■ Semi ■ Town ■ Apts

# Financial Sustainability and Fiscal Transparency

Council Endorsed Budget Guiding Principles Support Budget Priorities

## Financial Sustainability

### Guiding Principles

#### Principle 1

Consideration Towards Existing Service Levels

#### Principle 2

Growth Pays for Growth

#### Principle 3

New Initiatives to Enhance the City

### Principles in Action

#### Approach to

- Infrastructure
- Services
- Managing Money

# Long-Range Fiscal Planning

## The City has developed a Long-Range Fiscal Plan (LRFP)

- Forecasts were developed from various City sources:
  - 2022 Operating & Capital Budgets;
  - 2022 DC Background Study;
  - Asset Management Plans (core and non-core assets); and
  - Other master plans and macroeconomic data.
- Findings were presented to Council in December 2022:
  - The City will need to plan for tax levy pressures over the short-term while balancing capital commitments over the long-term.
  - Property taxes will continue to be the City's main source of revenue, however fiscal pressures can occur if status quo tax rate increases are maintained.
  - Infrastructure reserves and debt financing are important fiscal tools that will help the City moving forward.

## The LRFP is a Living Document

- **The LRFP complements the City's continuously evolving budget process**
  - The LRFP was used to inform development of the 2023 Budget and 2024-2026 Financial Plan.
  - Sensitivity Analysis:
    - Inputs - the model can be adjusted to reflect changes in growth patterns and infrastructure requirements.
    - Outputs - tax levies, contributions to reserves, and debt financing to fund the required services and capital needs.
  - By projecting forecasts into the longer-term future, pressures can be proactively managed before they occur to keep tax rates affordable.



# Infrastructure Funding Gap

## Key Findings from the LRFP Fiscal Model

- Potential tax rate “spikes” due to pressures for repair / replacement of assets;
- Infrastructure funding gap between \$1.8 billion and \$2.0 billion (2022-2042); and
- Infrastructure reserves potentially drop below \$5 million by 2038.



## Potential Strategies to Narrow the Infrastructure Funding Gap (Recommended by Hemson):

- ✓ Manage timing / scope of capital projects.
- ✓ Strategic use of debt.
- ✓ Leverage discretionary reserves.
- Implement a dedicated Infrastructure Levy.





# Strategic Planning and Budget Process



Public Engagement on Budget Process



# 2023 Budget – Context

COVID restrictions have curtailed, but high inflation and interest rates are causing continued economic uncertainty...

## **Plan for Gradual Recovery from COVID-19**

- Economic activity and consumer spending is up, including the City's services (e.g. Municipal Accommodation Tax, Recreation)
- Uncertainty of the impact of COVID-19 remains (consumer behaviour, spending patterns)

## **Factor in Impacts of High Inflation and Interest Rates**

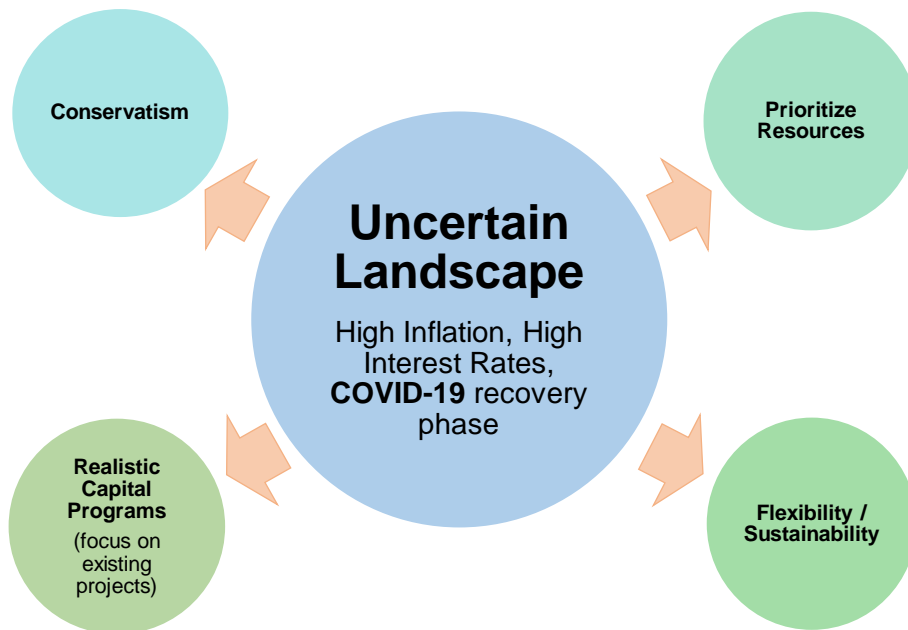
- CPI was 6.8% (November 2022)
- Increases in almost all spending categories...especially fuel and construction / material
- Interest rates up 400 basis points in 2022 with potentially further increases

## **Which can impact City's finances...**

- Revenues (user fees) not fully recovered
- Sustained COVID-19 incremental spending
- Significant upward pressure on capital project costs and cost of borrowing
- Continued pressure on sustaining service levels & delivery models

# 2023 Budget – Guiding Principles

The City of Vaughan's budget is built on the principles of integrity, accountability and responsibility. It is focused on keeping property tax rates low, respecting taxpayers' hard-earned money and delivering quality public services.



# Budget Summary

## 2023 Budget and 2024-2026 Capital Plan:

### Tax Supported Programs

2023 Gross  
Operating  
\$355 million

2023 Capital  
Budget \$347  
million

2024-2026  
Capital Plan  
\$497 million

2.9% Tax  
Increase

### Utility Rate Supported Programs

2023 Gross  
Operating  
\$191 million

2023 Capital  
Budget \$97  
million

2024-2026  
Capital Plan  
\$87 million

3.3% Combined  
Water / Wastewater  
Rate Increase

5.2% Average  
Stormwater Charge  
Increase



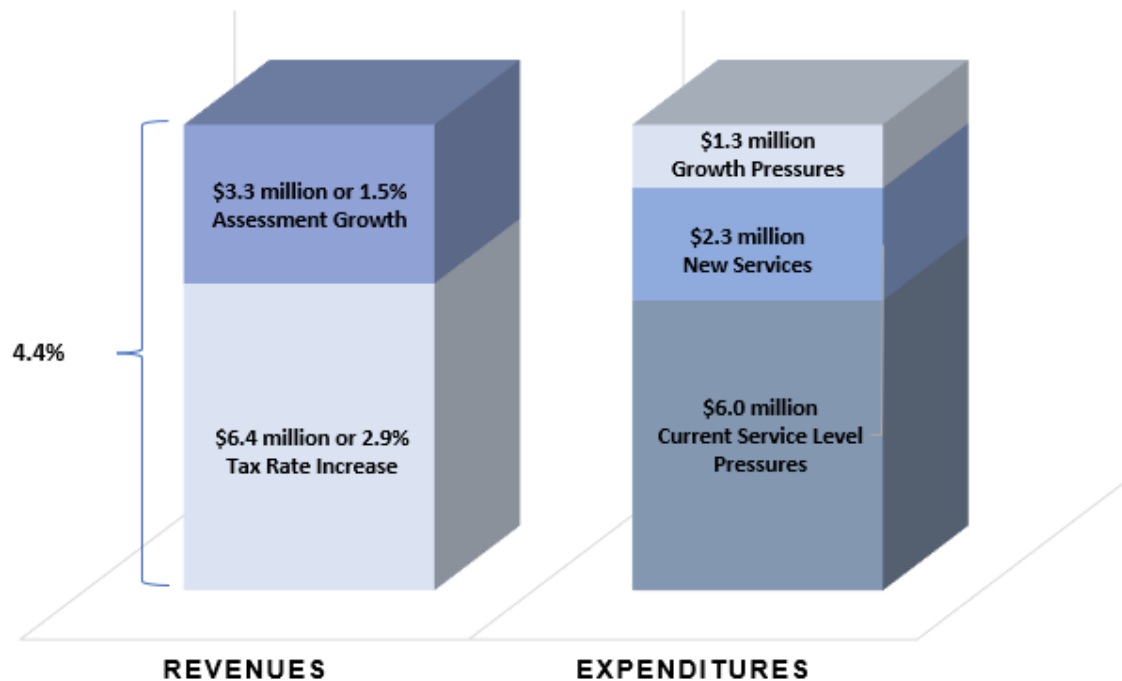
# Proposed 2023 Tax Supported Operating Budget

(\$M)	2021 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
Net Operating	218.2	225.7	236.2	246.6	257.4	268.8
Less: 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
<b>Net Levy</b>	<b>212.3</b>	<b>220.4</b>	<b>230.1</b>	<b>240.4</b>	<b>251.2</b>	<b>262.6</b>
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	4.3	6.4	6.9	7.2	7.5
<b>Incremental Tax Rate</b>	<b>0.00%</b>	<b>2.00%</b>	<b>2.90%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>

Financial plans for 2024-2026 will be reassessed annually.

Annualized impact of known pressures in 2024 of \$15.6 million includes operating impacts of Carrville Community Centre, Fire Station 7-12, North Maple Regional Park, West Woodbridge Library and expected COLA increases.

# 2023 Tax Levy Analysis



Of \$4.3M of ARR, \$1.3M is for growth, \$2.3M new initiatives, and \$0.6M current service level pressures

# Proposed Water/Wastewater/ Stormwater Operating Budget

\$M	2021 Actuals	2022 Approved Budget	2023 Proposed Budget	2024 Plan	2025 Plan	2026 Plan
<b>Revenue</b>						
Water/Wastewater Revenues	167.1	165.5	177.8	183.7	189.8	196.0
Water/Wastewater Purchases	132.9	132.1	141.9	146.5	151.4	156.4
Gross Margin (A)	34.3	33.5	36.0	37.2	38.4	39.7
Other Revenues (B)	10.9	14.1	13.0	13.6	14.2	14.9
Less: Expenditures (C)	28.0	32.9	33.0	36.5	36.9	37.2
Less: Life Cycle Contribution (D)	17.2	14.6	15.9	14.2	15.7	17.4
Net Operating Budget (A+B-C-D)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Water/Wastewater Rate Increase</b>	<b>2.9%</b>	<b>3.3%</b>	<b>3.3%</b>	<b>3.3%</b>	<b>3.3%</b>	<b>3.3%</b>
<b>Stormwater Charge Increase</b>	<b>4.5%</b>	<b>4.5%</b>	<b>5.2%</b>	<b>5.3%</b>	<b>5.3%</b>	<b>5.3%</b>

Financial Plans for 2024 to 2026 will be reassessed annually.

## 2023 Water/Wastewater/ Stormwater Analysis

### Water & Wastewater

• CITY (operating)	\$ 24.8	14%
• CITY (reserves)	\$ 12.5	7%
• <b>REGION (purchases)</b>	<b><u>\$141.9</u></b>	<b><u>79%</u></b>
• TOTAL	\$179.2	100%

### Stormwater

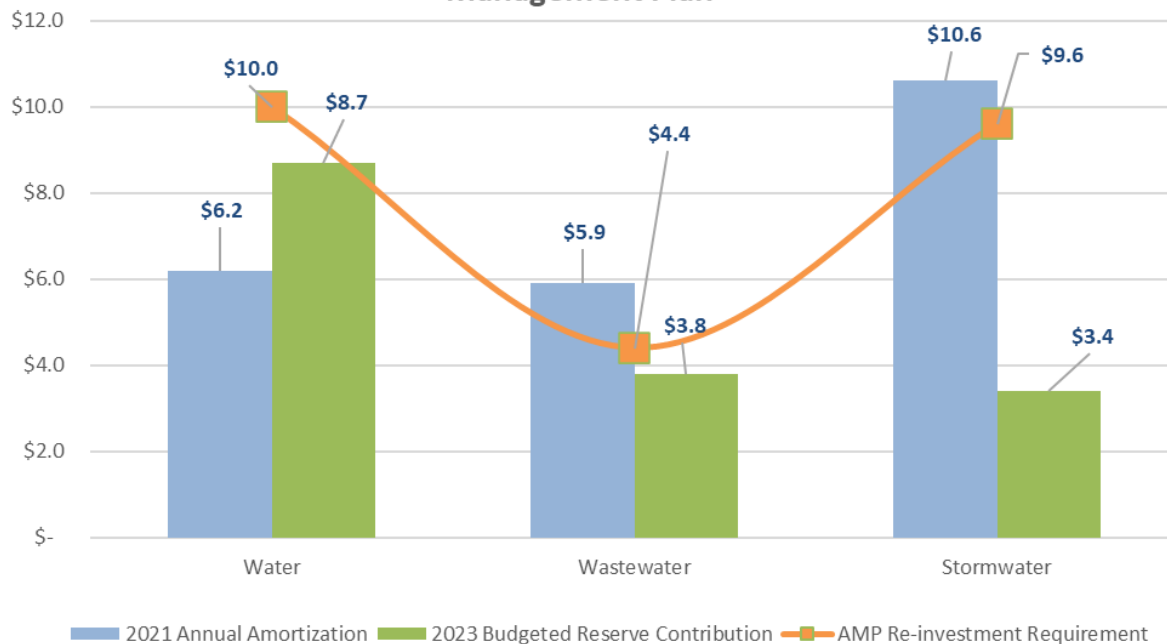
• CITY (operating)	\$ 8.3	71%
• CITY (reserves)	<u>\$ 3.4</u>	<u>29%</u>
• TOTAL	\$ 11.7	100%

\*All financial figures are in millions of dollars



# 2023 Water/Wastewater/ Stormwater Reserve Analysis

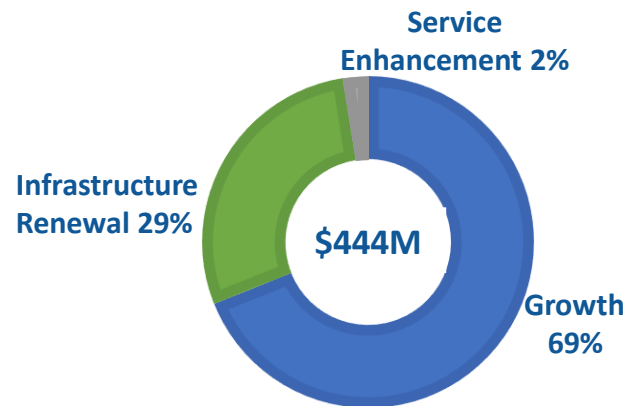
Reserve Contribution vs. Annual Amortization and Asset  
Management Plan



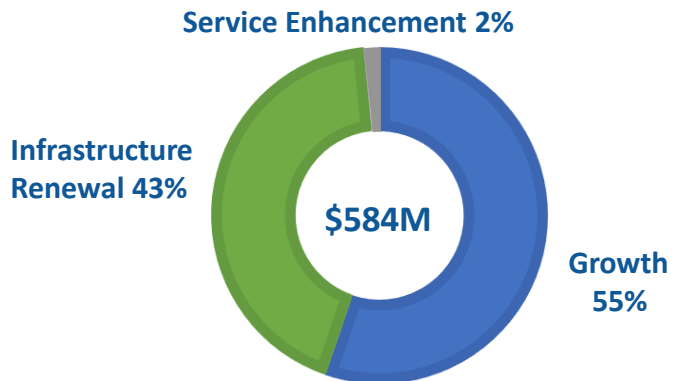
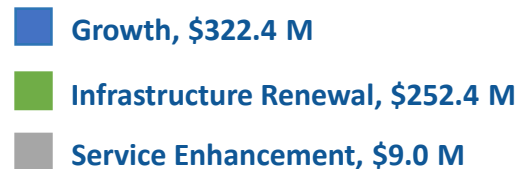
\*All financial figures are in millions of dollars

# Sustainable Capital Project Investments

## 2023 Capital Investment



## 2024-2026 Capital Plan



## Conclusion of Hospital Levy in 2022

- In 2009, the Council approved a dedicated, temporary Hospital Levy to fund the City's contribution to the hospital in Vaughan (\$80 million).
- By borrowing internally, funds were recovered in 13 years, significantly less than the initial 20-year recovery timeframe.
- The City's contributions to the development of the hospital were fully paid in 2022 and **the Hospital Levy will no longer appear on property tax bills beginning in 2023.**
- The Cortellucci Vaughan Hospital opened in February 2021 to assist with COVID-19 relief and fully opened on June 6, 2021.



# Where Do Taxes Go? Understanding the Tax Bill

## Average Residential Tax Bill

York Region  
**50% - \$3,286**

Local School Boards  
**22% - \$1,454**

City of Vaughan  
**28% - \$1,836**

NOTE: Based on a home with an assessed value of \$950,000



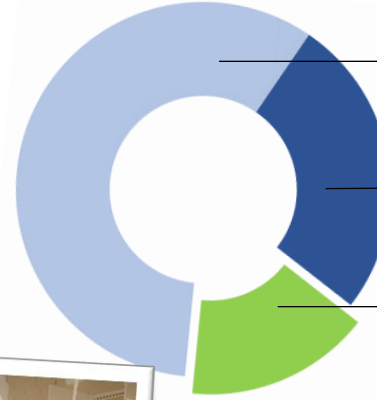
## Commercial Tax Bill

Local School Boards  
**55% - \$880**

York Region  
**29% - \$461**

City of Vaughan  
**16% - \$257**

NOTE: Based on assessment value of \$100,000





# What Do Taxes Fund?

## Understanding the Tax Bill

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### City Expenditures by Service

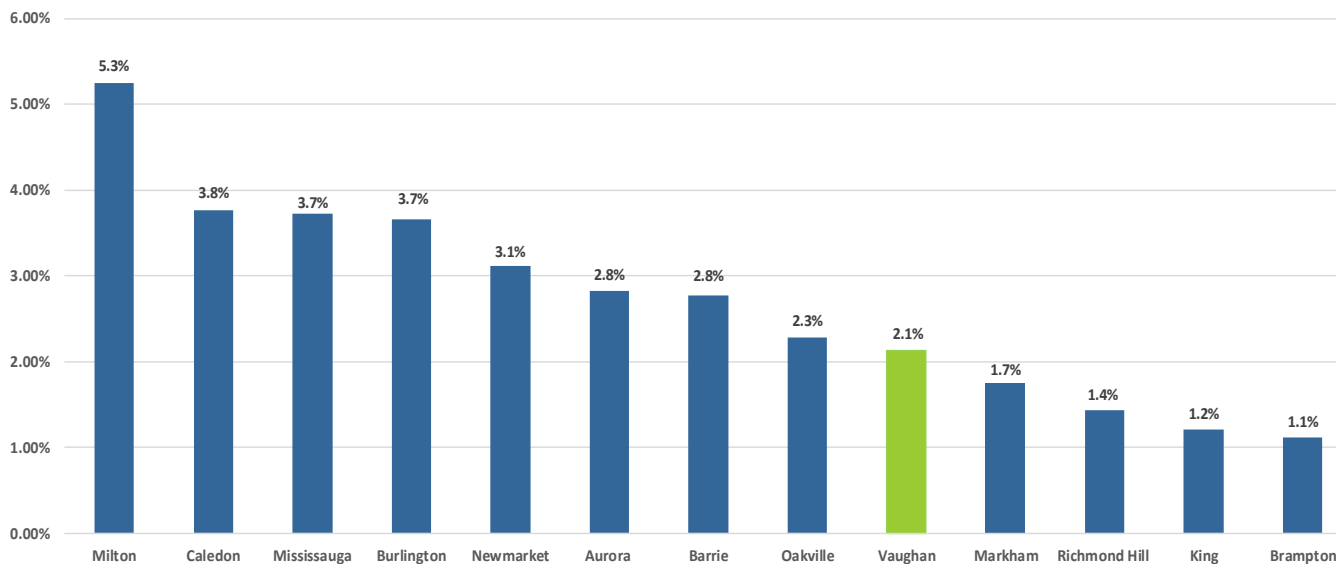
- \$0.18** Public Works & Road Services
- \$0.17** Fire and Rescue Services
- \$0.16** General Government, Legal & Clerks
- \$0.11** Infrastructure Development
- \$0.10** Capital Investment & Debt Servicing
- \$0.09** Community Services
- \$0.08** Planning & Growth
- \$0.07** Vaughan Public Libraries
- \$0.04** Fulfil Council's priorities by City Manager,  
Internal Audit, Integrity Comm. and others
- \$1.00** Total



# Property Tax Rate Among Lowest in GTA

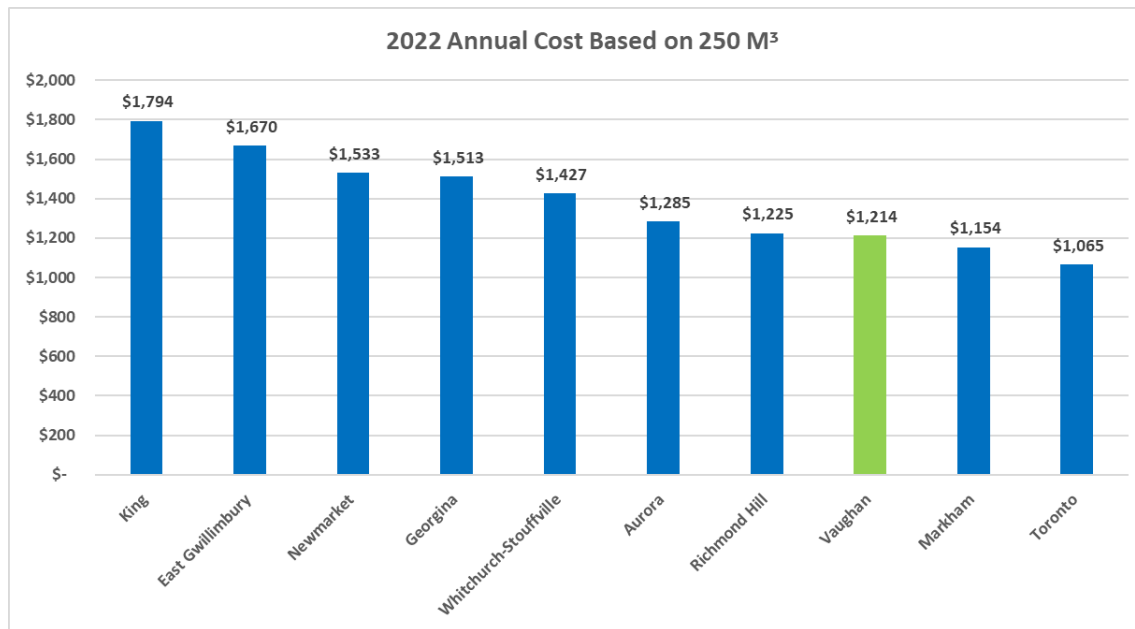
It is anticipated that Vaughan's total tax rate will continue to be one of the lowest in 2023. The Proposed 2023 Budget builds on this commitment to prudent fiscal management by maximizing the responsible use of every tax dollar collected.

## Municipal Property Tax Increases: Five Year Average (2018-2022)



*\*With the proposed 2.9% tax rate increase in 2023, Vaughan's 5-Year Average remains at **2.1%***

## Water and Wastewater Rates Among Lowest in York Region



- For 2023 the combined draft rate is \$5.016/m<sup>3</sup> representing a 3.3% increase over 2022.
- This equates to an annual cost for 2023 of \$1,254 for an average household that consumes 250 cubic metres and an increase of \$40.05 or \$3.34 per month compared to prior year.



## Future Pressures as a Result of Bill 23

- Bill 23 (More Homes Built Faster Act, 2022) received Royal Assent on November 28th
- Changes in the legislation will restrict and reduce the City's ability to collect revenue for growth related infrastructure
- Without alternate funding sources, this could result in:
  - Delayed projects
  - Reduced service levels
  - Increased property taxes





## Next Steps

### Future Meeting Dates

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#### City of Vaughan

- **Jan 24:** Portfolio Strategic Priorities and Updates
- **Feb 8:** Adoption of 2023 Budget and Endorsement of the 2024-2026 Financial Plan

**Public deputations  
are encouraged at  
all budget meetings**

#### York Region

- **January 26:** Tabling of the 2023 Budget with Regional Council
- **February 2, 9:** Committee of Whole Reviews
- **February 23:** Budget Approval with Regional Council