

SPECIAL COMMITTEE OF THE WHOLE (Budget) – NOVEMBER 29, 2023

COMMUNICATIONS

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Item No.

C1. Presentation material.

1

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Communication

Sp. CW – November 29, 2023

Item No. 1

Proposed 2024 Budget and 2025-2026 Financial Plan

Special Committee of the Whole (Budget)

November 29, 2023

TRANSPORTATION
AND MOBILITY



CITY
BUILDING



ENVIRONMENTAL
SUSTAINABILITY



ACTIVE, ENGAGED AND
INCLUSIVE COMMUNITIES



COMMUNITY SAFETY
AND WELL-BEING



ECONOMIC PROSPERITY
AND JOB CREATION



SERVICE EXCELLENCE
AND ACCOUNTABILITY

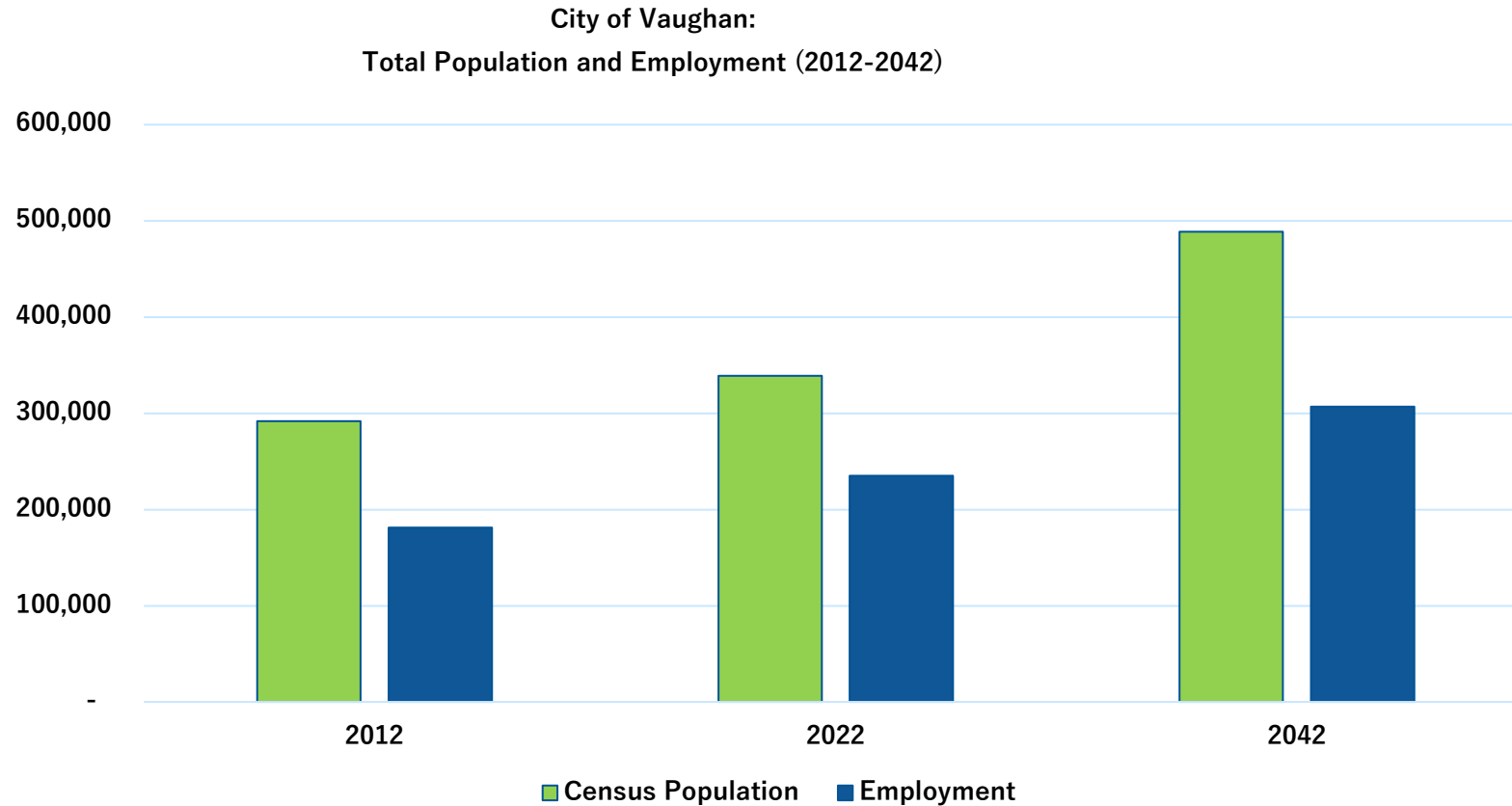


2022 - 2026 TERM OF COUNCIL

STRATEGIC PLAN

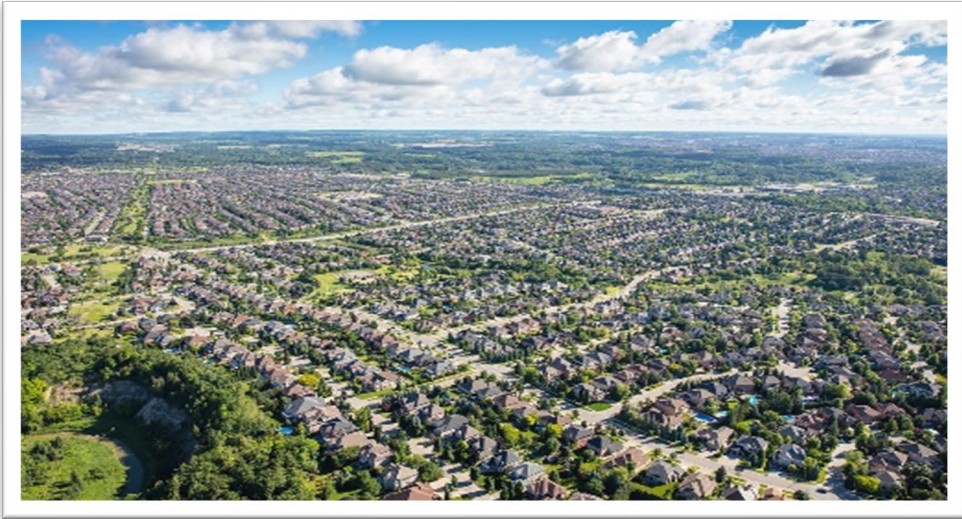
CITIZENS FIRST THROUGH SERVICE EXCELLENCE

Growth and Sustainability

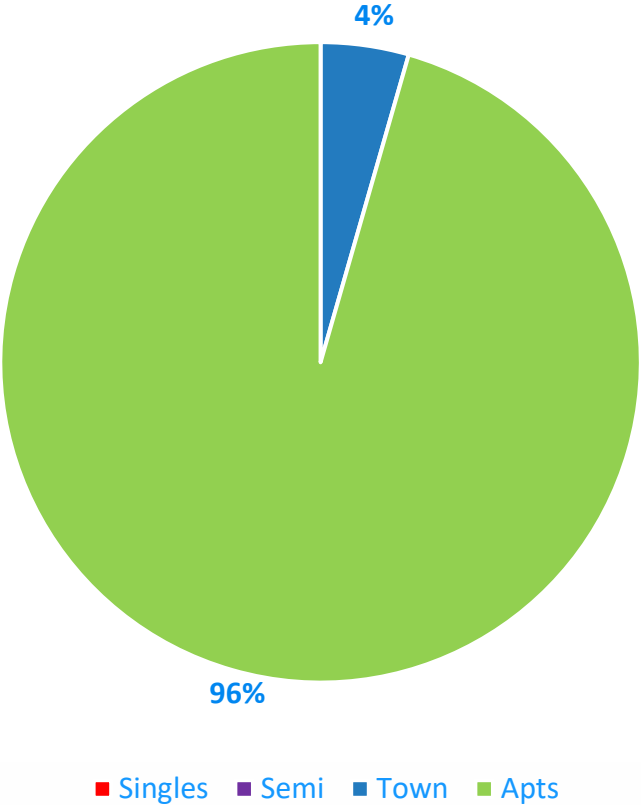


- Strong population growth and development across the City
- Census population growth of 16% since 2012
- Employment growth of 30% since 2012
- By 2042 City expected to grow to approximately 489,000 persons and 307,000 employees

Growth and Sustainability

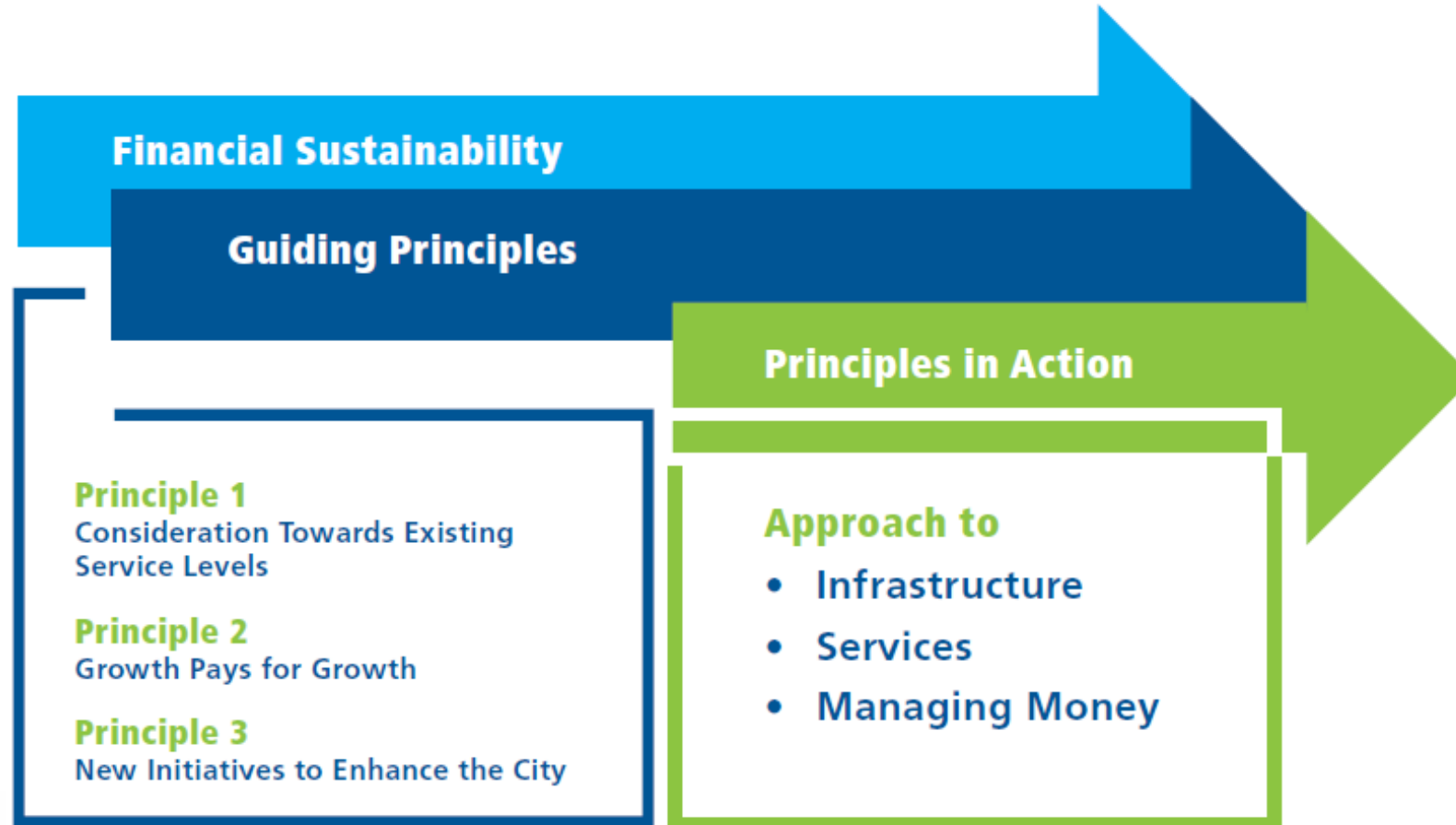


Active Residential Development Proposals by Type (Units) – As of October 2023



Financial Sustainability and Fiscal Transparency

Council Endorsed Budget Guiding Principles Support Budget Priorities



Strategic Planning and Budget Process



Public Engagement on Budget Process



2024 Budget – Context

Inflation and interest rates remain high; COVID-19 restrictions lifted; Bill 23 introduced... causing continued uncertainty in the economy and consumer behaviour patterns...

Factor in Impacts of High Inflation and Interest Rates

- CPI easing but still at a heightened level (3.8% in September 2023)
- Increases in almost all spending categories...especially fuel and construction / material
- Current overnight interest rate at 5%

Post COVID-19 Economic Activity

- Economic activity recovering, including use of City's services (e.g. MAT, Recreation)
- Impact of alternative work arrangements to consumer spending patterns

Bill 23 (More Homes Built Faster Act)

- Changes in legislation will reduce ability to collect growth-related infrastructure revenue

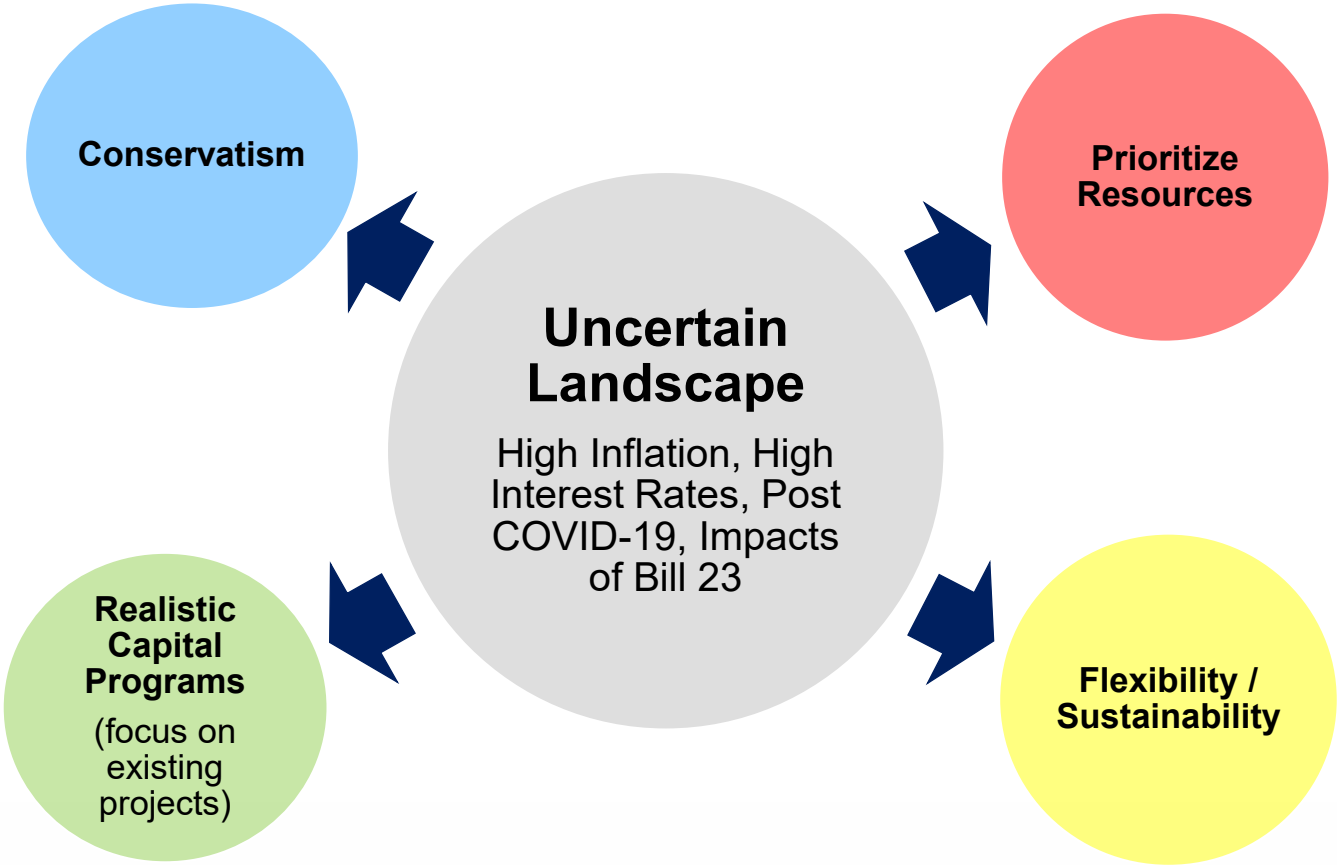
Which can impact City's finances...

- Significant upward pressure on capital project costs and cost of borrowing
- Continued pressure on sustaining service levels & delivery models
- User fee revenue recovery pattern
- Reduced growth-related revenues...potential delayed projects, reduced service levels, increased property taxes



2024 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

2024 Budget and 2025-2026 Capital Plan:

Tax Supported Programs

2024 Gross Operating
\$377 million

2024 Capital Budget \$191 million

2025-2026 Capital Plan \$297 million

3.0% Tax Rate Increase

Utility Rate Supported Programs

2024 Gross Operating
\$201 million

2024 Capital Budget \$25 million

2025-2026 Capital Plan \$90 million

3.9% Combined Water / Wastewater Rate Increase

9.5% Average Stormwater Charge Increase

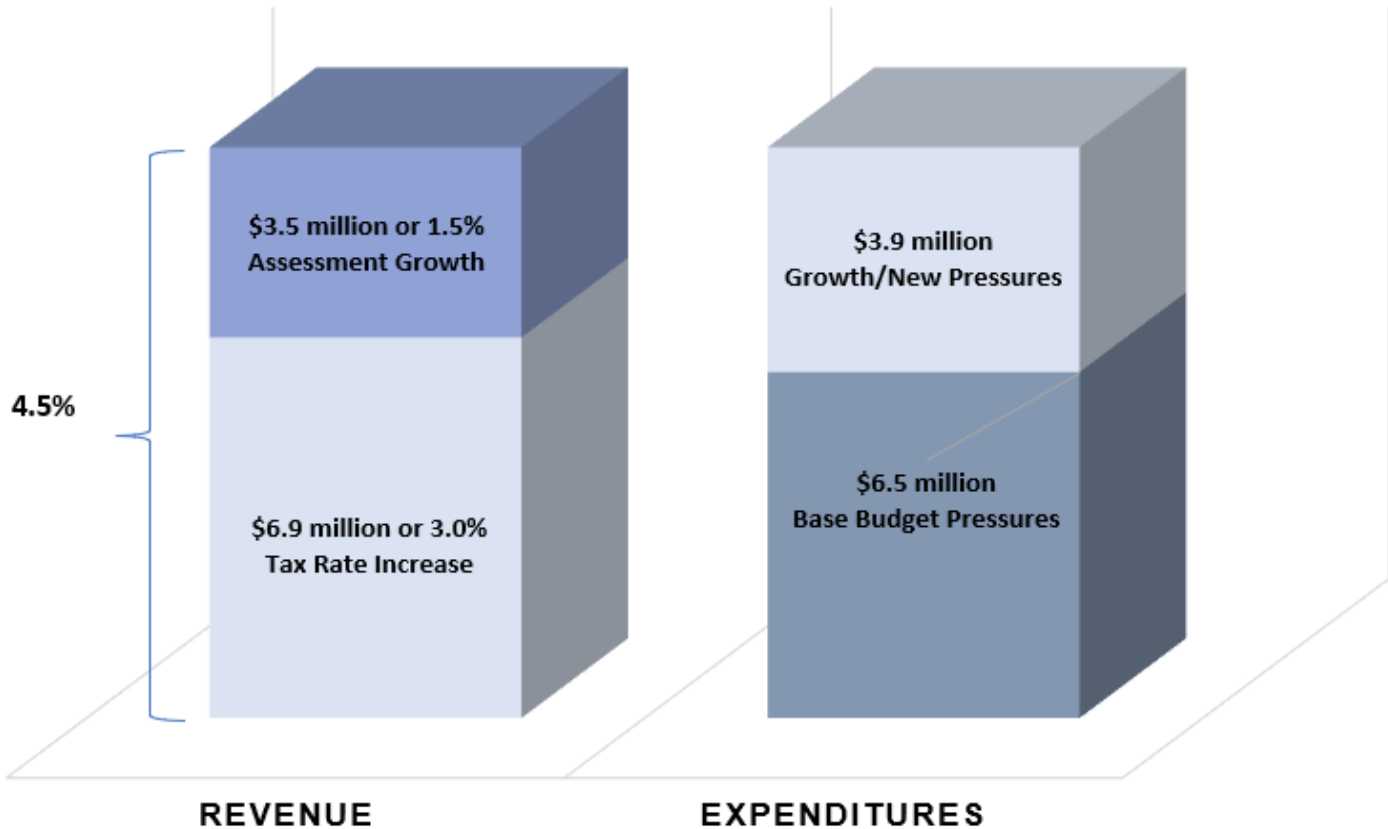
2024 Tax Supported Operating Budget

(\$M)	2022 Actuals	2023 Approved Budget	2024 Proposed Budget	2025 Plan	2026 Plan
Gross Operating	361.3	355.0	377.4	391.4	407.0
Less: Non-Tax Revenue	135.4	118.8	131.9	135.1	139.3
Net Operating	226.0	236.2	245.5	256.3	267.7
Less: Payment In Lieu of Taxes	2.4	2.7	2.4	2.4	2.4
Supplemental Tax	2.8	3.5	2.7	2.7	2.7
Net Levy	220.8	230.1	240.4	251.2	262.6
Incremental Levy Requirement	8.5	9.7	10.4	10.8	11.3
Revenue From Assessment Growth	4.2	3.3	3.5	3.6	3.8
Revenue From Incremental Tax Rate	4.3	6.4	6.9	7.2	7.5
Incremental Tax Rate	2.00%	2.90%	3.00%	3.00%	3.00%

Financial Plans for 2025-2026 will be reassessed annually.

Operating impact of Carrville Community Centre, Fire Station 7-12, West Woodbridge Library of \$1.5 million contained within 3% tax rate increase in 2024. Annualized net pressure - additional \$5.2 million in 2025.

2024 Tax Levy Analysis



2024 Water/Wastewater/Stormwater Operating Budget

\$M	2022 Actuals	2023 Approved Budget	2024 Proposed Budget	2025 Plan	2026 Plan
Revenue					
Water/Wastewater Revenues	175.5	177.8	187.2	194.5	200.9
Water/Wastewater Purchases	136.6	141.9	146.9	152.6	157.5
Gross Margin (A)	38.9	36.0	40.2	41.9	43.4
Other Revenues (B)	11.6	13.0	13.8	14.4	15.1
Less: Expenditures (C)	27.5	33.0	33.8	32.1	32.2
Less: Life Cycle Contribution (D)	23.0	15.9	20.1	24.2	26.3
Net Operating Budget (A+B-C-D)	0.0	0.0	0.0	0.0	0.0
Water/Wastewater Rate Increase	3.3%	3.3%	3.9%	3.9%	3.9%
Stormwater Charge Increase	4.5%	5.2%	9.5%	TBD*	TBD*

Financial Plans for 2025-2026 will be reassessed annually.

*Will be dependant on the Stormwater Rate Study.

2024 Water/Wastewater/ Stormwater Expenditures

Water & Wastewater

CITY (operating)	\$ 25.2	13%
CITY (reserves)	\$ 16.2	9%
REGION (purchases)	<u>\$146.9</u>	<u>78%</u>
TOTAL	\$188.3	100%

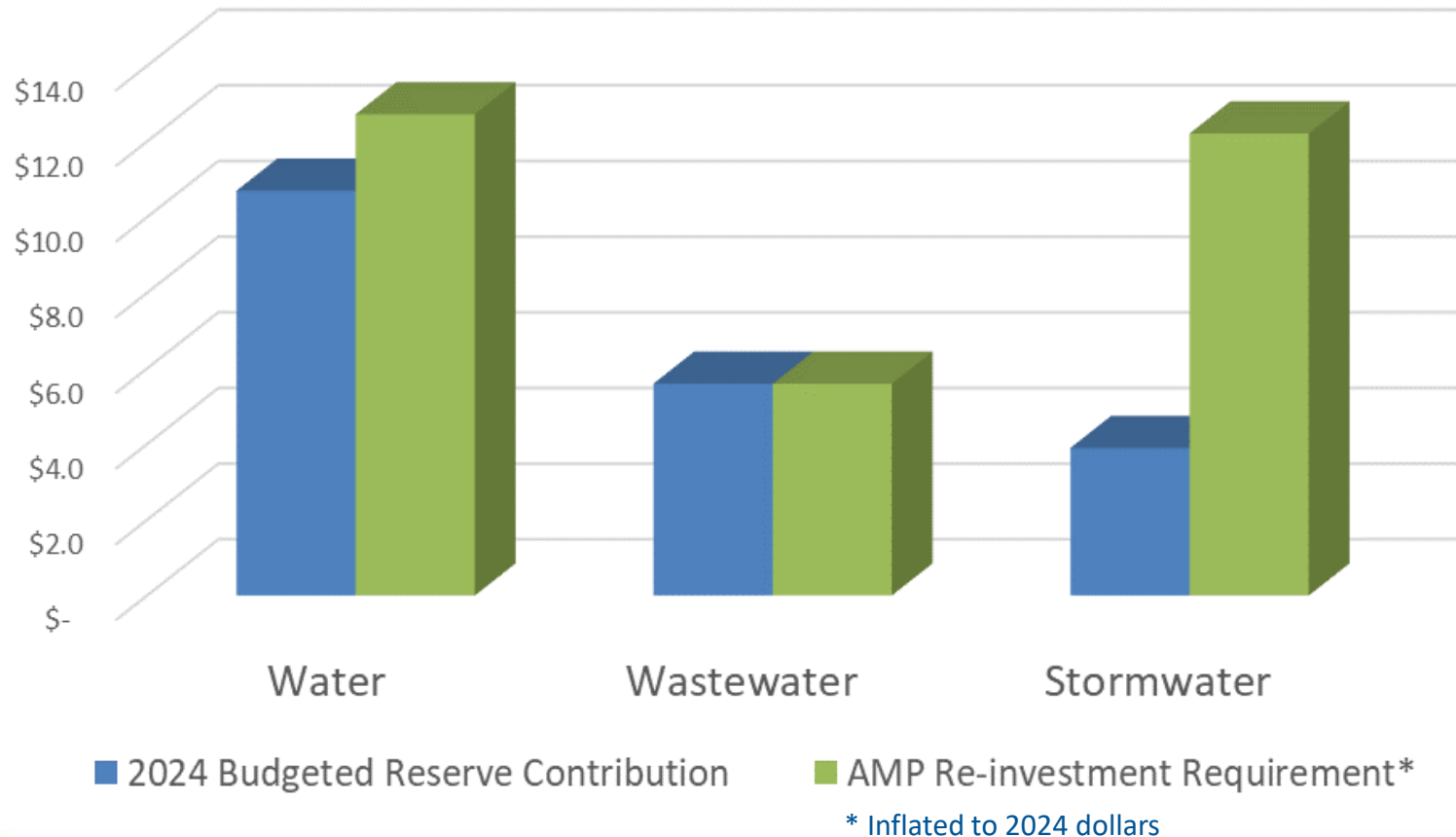
Stormwater

CITY (operating)	\$ 8.7	69%
CITY (reserves)	<u>\$ 3.9</u>	<u>31%</u>
TOTAL	\$ 12.6	100%

*All financial figures are in millions of dollars

2024 Water/Wastewater/Stormwater Reserve Analysis

Budgeted Reserve Contribution vs. AMP Re-investment Requirement (\$M)

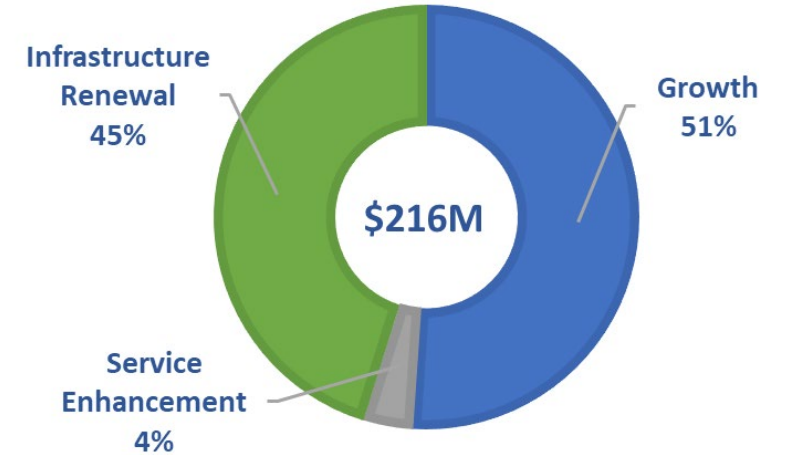




Capital Project Investments

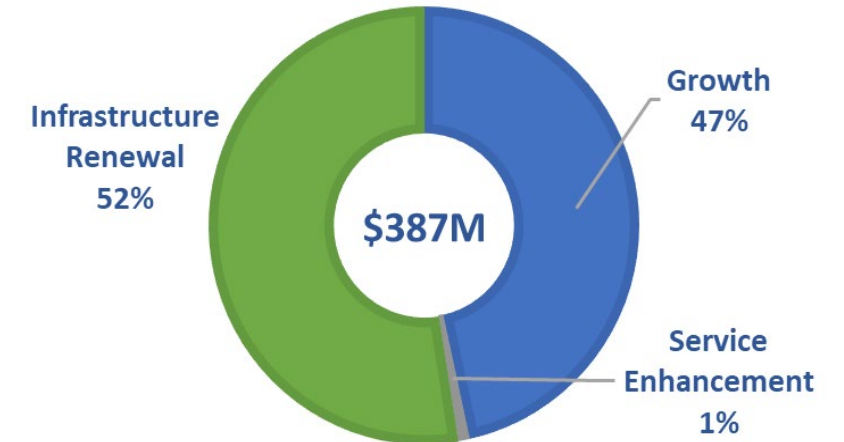
2024 Capital Investment

- Growth, \$110.6 M
- Infrastructure Renewal, \$97.8 M
- Service Enhancement, \$8.1 M



2025-2026 Capital Plan

- Growth, \$180.2 M
- Infrastructure Renewal, \$203.1 M
- Service Enhancement, \$3.5 M



2024 Capital Budget & 2025-2026 Plan

Term of Council Strategic Priorities

Capital Investments Aligning with Term of Council Priorities

(\$M)	2023 Budget	2024 Proposed Budget	2025-2026 Planned	2024-2026 Total	2024-2026 # of Projects
Transportation and Mobility	119.5	57.4	115.7	173.1	67
City Building	81.6	57.2	58.9	116.1	47
Environmental Sustainability	187.2	34.2	88.9	123.1	29
Active, Engaged and Inclusive Communities	11.0	8.2	11.9	20.1	14
Community Safety and Well-being	3.1	6.8	11.4	18.2	53
Economic Prosperity and Job Creation	-	0.6	0.3	0.8	3
Service Excellence and Accountability	41.8	52.1	99.7	151.8	323
Total New Capital Budget Asks	444.2	216.5	386.8	603.3	536

Financial Impact of Bill 23

- Bill 23 restricts and reduces the City's ability to collect revenue for growth related infrastructure
- Financial impact from Jun 1, 2023 to Dec 31, 2024 is estimated at \$47M (excluding parkland cash-in-lieu)
- Financial pressure has been contained in the current budget build through adjusting growth-related capital project spending
- Housing Accelerator Fund (HAF) will provide partial relief
- Long-term financial impact uncertain
- Depending on magnitude of pressures, this could result in:
 - Further delayed projects
 - Reduced service levels
 - Increased property taxes



Where Do Taxes Go? Understanding the Tax Bill

Average Residential Tax Bill

York Region
50%

Local School Boards
22%

City of Vaughan
28%



Commercial Tax Bill

Local School Boards
55%

York Region
29%

City of Vaughan
16%



What Do Taxes Fund? Understanding the Tax Bill



City Expenditures by Service

\$0.18 Public Works & Road Services

\$0.16 Fire and Rescue Services

\$0.15 General Government, Legal & Clerks

\$0.12 Infrastructure Development

\$0.11 Community Services

\$0.10 Capital Investment & Debt Servicing

\$0.07 Planning & Growth

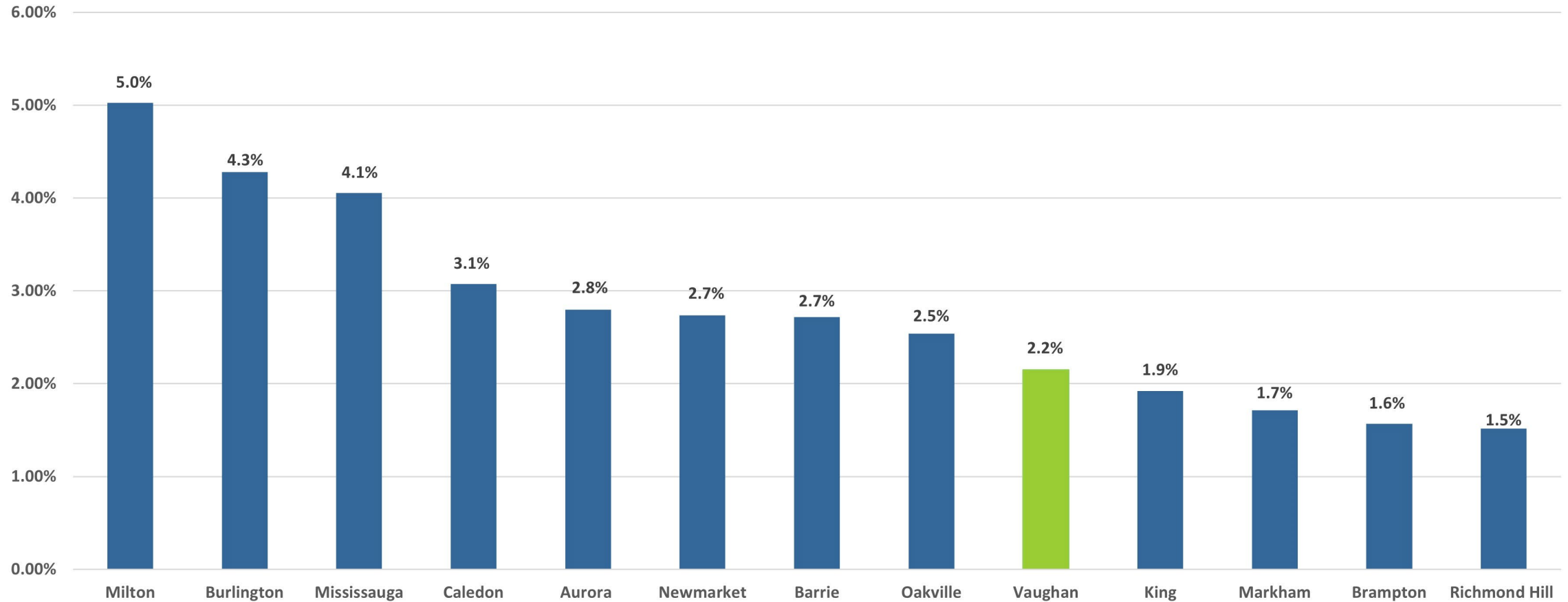
\$0.06 Vaughan Public Libraries

\$0.05 Fulfill Council's priorities by City Manager,
Internal Audit, Integrity Comm. and others

\$1.00 Total

Property Tax Rate Among Lowest in GTA

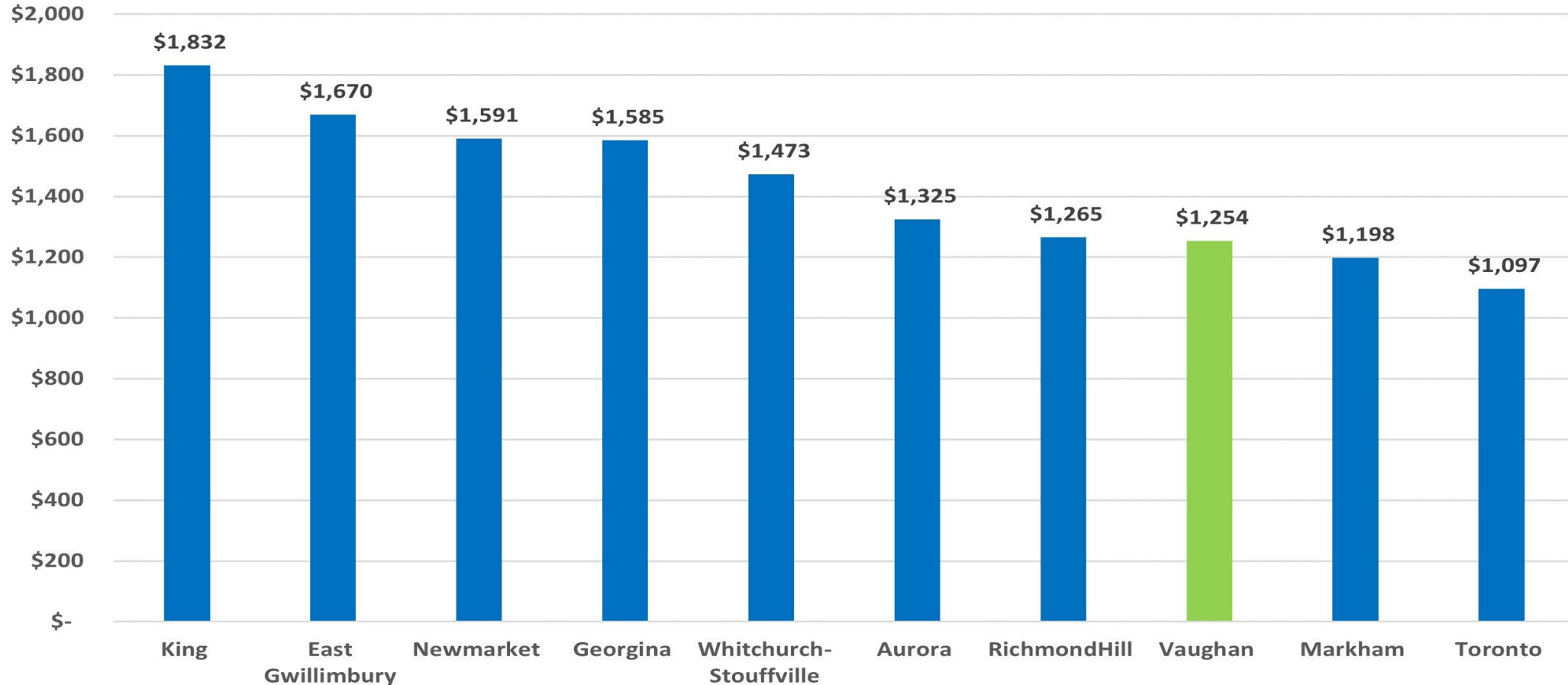
Municipal Property Tax Increases: Five Year Average (2019-2023)



* Proposed 2024 tax rate increase of 3.0% maintains Vaughan's 5-Year Average at 2.15% (2.2%)

Water and Wastewater Rates Among Lowest in York Region

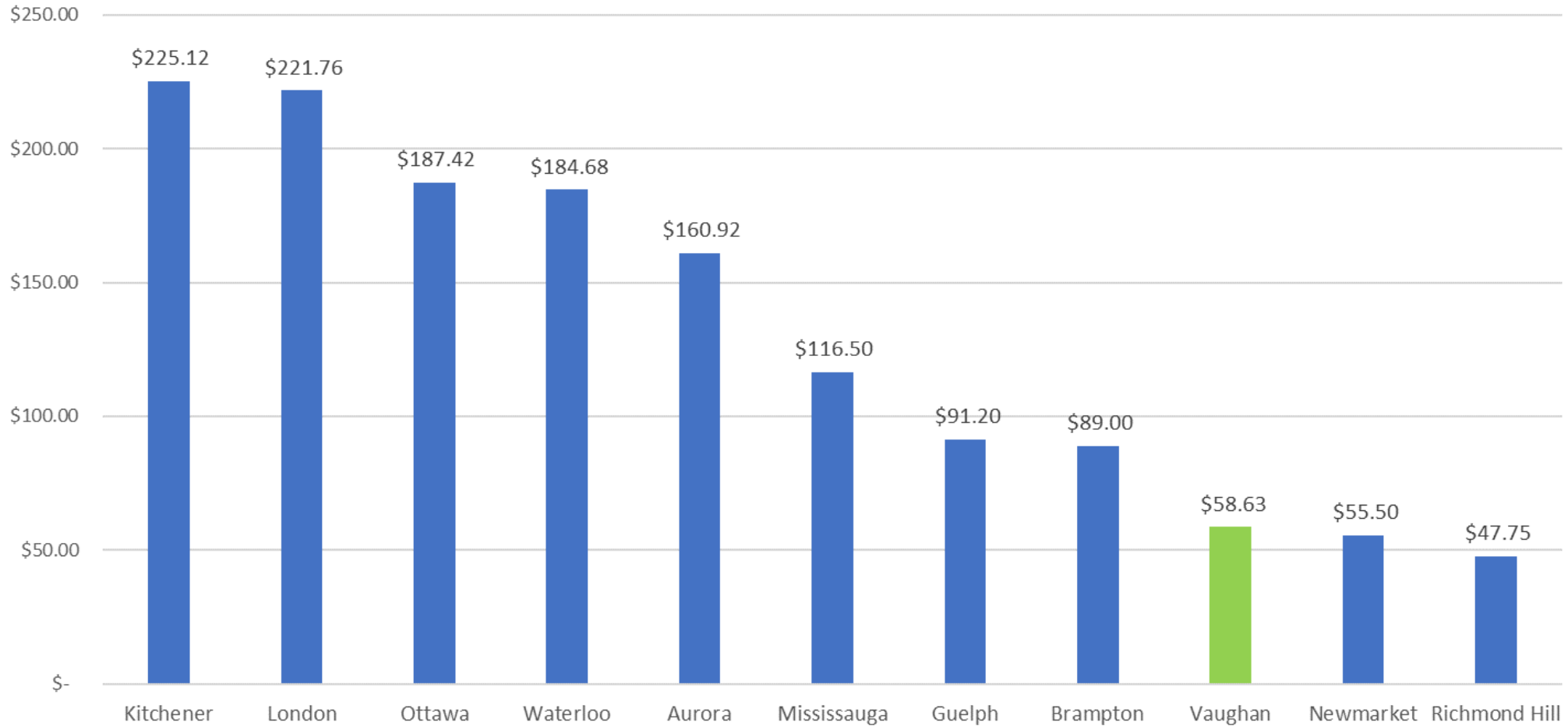
2023 Annual Cost Based on 250 M³



- For 2024 the combined water and wastewater rate is \$5.2123/m³ representing a 3.9% increase over 2023.
- This equates to an annual cost for 2024 of \$1,303 for an average household that consumes 250 cubic metres and an increase of \$49.08 or \$4.09 per month compared to prior year.

Stormwater Charge Among Lowest in Ontario

2023 Stormwater Rate for Medium Single Detached Residential



The 2024 stormwater rate for single detached residential is \$64.20 representing a 9.5% (or \$5.57) increase over 2023.

Long-Range Fiscal Planning

Key findings from the Long-Range Fiscal Plan (LRFP) developed by Hemson Consulting and presented to Council in December 2022:

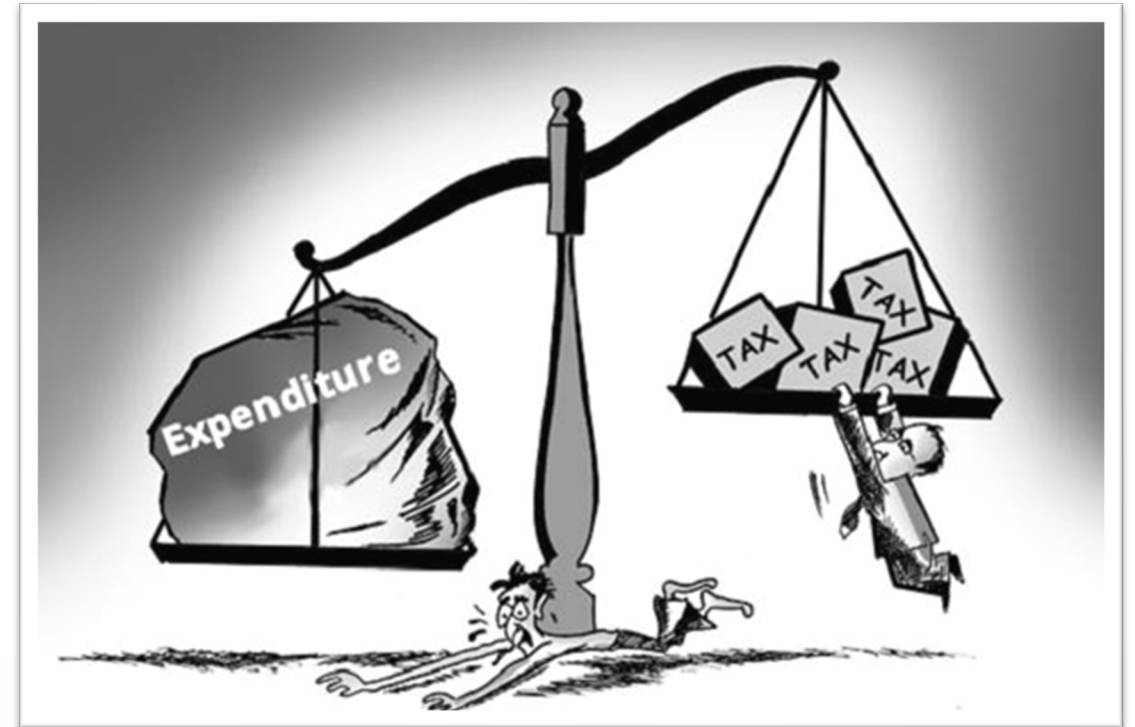
- Potential tax rate “spikes” due to pressures for repair / replacement of assets;
- Infrastructure funding gap between \$1.8 billion and \$2.0 billion (2022-2042); and
- Infrastructure reserves potentially drop below \$5 million by 2038.

LRFP informed development of the 2024 Budget and 2025-2026 Financial Plan:

- Long-term financial outlook - pressures proactively managed before they occur to keep tax rates affordable.

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

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



Next Steps

Future Meeting Dates

City of Vaughan

- **Nov 29**: Special Committee of the Whole – Budget
- **Dec 12**: Special Council - Budget
- **Dec 12-22**: Adoption of 2024 Budget and Endorsement of the 2025-2026 Financial Plan

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

York Region

- **Nov 23**: Budget Tabling (Regional Council)
- **Nov 30 & Dec 7**: Budget Reviews at Committee of the Whole
- **Dec 21**: Budget Approval (Regional Council)