

Special Committee of the Whole (Budget) Report

DATE: Wednesday, November 29, 2023

WARD(S): ALL

TITLE: PROPOSED 2024 BUDGET AND 2025-2026 FINANCIAL PLAN

FROM:

Steven Del Duca, Mayor

ACTION: DECISION

Purpose

To present the proposed 2024 Budget and 2025-2026 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 2024 Budget and 2025-2026 Financial Plan is to balance investing in the community and maintaining financial sustainability, while minimizing tax and utility rate increases.
- The proposed 2024 tax supported gross operating budget is \$377.4 million, and the 2025-2026 plan is forecasted at \$798.4 million.
- The proposed property tax increase for the 2024 Budget is 3.0 percent.
- The proposed total 2024 water, wastewater, and stormwater operating budget is \$200.9 million, and the 2025-2026 plan is forecasted at \$424.9 million.
- The combined 2024 rate increase for water and wastewater is \$0.1963 per cubic meter, or 3.9 percent over the 2023 combined rate.
- The stormwater charge increase is 9.5 percent to help maintain the reserve.
- The 2024 Budget for the City of Vaughan includes the addition of 90.8 new FTEs.
- The proposed 2024 capital budget is \$216.5 million, and the 2025-2026 Capital Plan is forecasted at \$386.8 million.
- Creation of the Canada Housing Accelerator Fund reserve will serve as the designated repository for funds received from the Government of Canada through the Housing Accelerator Fund contribution agreement.

Recommendations

1. That the consolidated City of Vaughan's proposed 2024 Budget and 2025-2026 Financial Plan, as attached, be considered by Council;
2. That the User Fees/Service Charges provided as Attachment 2 to this report be adopted and the necessary by-law be enacted; and
3. That staff establish a new reserve fund, Canada Housing Accelerator Fund.

Background

The Financial Sustainability Guiding Principles direct 2024 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 continuing impacts of high inflation and high interest rates, along with the ongoing economic uncertainties for the provincial, national, and global economies. 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 moderating 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 2023
- Budget Kick-Off – May 2023
- Mayor Updates and Strategic Directions – June – November 2023
- City-Wide Budget Development – June – July 2023
- Departmental Budget Submissions – July 2023
- Budget Consolidation and Playback – August 2023
- Budget Reviews and Prioritization – September – October 2023
- Budget Book Development and Completion – October – November 2023
- Mayor tables the 2024 Budget – November 2023
- Public Budget reviews and Budget Adoption – November – December 2023

Previous Reports/Authority

[Proposed 2023 Budget and 2024 - 2026 Financial Plan](#), Item 1, Report No. 5 of the Special Committee of the Whole (Budget), February 8, 2023

[City of Vaughan Long-Range Fiscal Plan](#), Item 2, Report No. 1 of the Committee of the Whole (Working Session), December 7, 2022

[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 2024 Budget and 2025-2026 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 2024 Budget was to deliver on these priorities in a fiscally challenging environment while facing rising inflation, high interest rates and economic uncertainty. 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 2024 Budget and 2025-2026 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 2024 includes \$377.4 million in gross expenditures, \$131.9 million in non-tax revenues, and 90.8 new FTEs.
- o Total incremental increase of \$10.4 million in net expenditures.
- o Assessment growth forecast for 2024 is 1.5 percent, or \$3.5 million in additional tax revenue to the City to address growth-related cost pressures.
- o Proposed tax increase of 3.0 percent.
- o The property tax supported operating plan for 2025-2026 is \$798.4 billion.
- The proposed water, wastewater and stormwater rate supported operating budget for 2024 includes \$200.9 million in revenues, \$180.8 million in expenditures, and no new FTEs:
 - o The combined 2024 rate increase for water and wastewater is \$0.1963 per cubic meter, or 3.9 percent over the 2023 combined water and wastewater rate.
 - o A stormwater charge increase of 9.5 percent is included to help maintain the stormwater reserve.
 - o Total forecasted 2024 contributions to the water, wastewater, and stormwater reserves of \$20.1 million.
 - o The water, wastewater and stormwater rate supported operating plan for 2025-2026 is \$424.9 million.
- The proposed 2024 capital budget is \$216.5 million, and the 2025-2026 Capital Plan is forecasted at \$386.8 million.

Bill 23, More Homes Built Faster Act, 2022

The provincial government introduced *Bill 23, More Homes Built Faster Act, 2022*, which is intended to help deliver 1.5 million new homes in Ontario by 2031. The Act includes a series of legislative changes which reduced the City's ability to collect Development Charges (DCs), Parkland cash-in-lieu (CIL) and Community Benefits Charges (CBC) through various mandatory DC phase-ins, DC and CIL exemptions, and removal of certain recoverable capital costs such as growth studies and land from future DC studies and DC by-laws.

The financial impact on DC collections from June 1, 2023 (date of most recent DC study and rate implementation) to December 31, 2024, is estimated to be \$47 million (excluding CIL's).

In the 2024 Budget and 2025-2026 Financial Plan, the City has contained this financial pressure by adjusting the timing and magnitude of projected growth-related capital project spending. The pressures will be reassessed each year and fiscal strategies developed to minimize the impact to the residents and businesses of Vaughan.

Public Engagement

The City of Vaughan encourages residents 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 2024 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 in their preferred format.

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

- attend public meetings at City Hall or watch online at vaughan.ca/LiveCouncil on Nov. 29 and Dec. 12, 2023, at 7 p.m.
- have their say at a budget meeting by [speaking to Council](#)
- fill out the budget feedback form at vaughan.ca/budget
- join the conversation on social media using **#VaughanBudget2024**
- leave a voicemail on the Budget Hotline at **905-832-8610**
- email questions and comments to budgeting@vaughan.ca

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

In addition to informing citizens about Vaughan's 2024 Budget and 2025-2026 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 2024 budget book continues the inclusion of a financial plan for operating budgets, an improvement introduced in 2023. It also builds on the key performance indicators (KPIs) and other changes introduced in prior years that are considered best practice by the Government Finance Officers Association (GFOA), as well as mandatory requirements for the Distinguished Budget Presentation Award. The 2024 budget book continues to build on the award-winning format for ease of navigation and transparency.

The proposed 2024 Budget and 2025-2026 Financial Plan as presented and detailed in the attached budget book, outlines the recommended operating allocations to deliver the City's programs and services for 2024, 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 2024 Budget and 2025-2026 Financial Plan align with Council's priority to ensure the City maintains modest tax rate increases.

Infrastructure Funding Gap

The City of Vaughan continued to utilize the Long-Range Fiscal Plan (LRFP) to inform the 2024 budget process. Key findings from the LRFP fiscal model include the following:

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

It is important to note that continuing the current tax levels has the potential to create an infrastructure funding gap, deplete the contribution to reserves for future replacement and repair of assets, and increase the likelihood of substantial tax rate increases in the future.

Several recommended strategies to alleviate the pressures have been incorporated in the 2024 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 rate volatility over time. However, these strategies alone are unlikely to be sufficient to close the long-term funding gap.

While not included in the 2024 Budget, it is possible that a dedicated levy to support infrastructure, which is a tool used by many municipalities across Ontario (including in York Region), could be a more effective way to deal with this gap. This type of levy would:

- Provide enhanced contributions to infrastructure 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.

In future years, it would be a worthwhile exercise for the City to consider all of the available approaches to narrow the infrastructure gap without placing an undue burden on residents and businesses.

Financial Impact

The proposed property tax increase for the 2024 budget is 3.0 percent, or \$6.9 million

The proposed 2024 tax-supported operating budget requirement is \$237.0 million after adjusting for assessment growth of \$3.5 million, representing a net tax levy increase of \$6.9 million, or 3.0 percent from the 2023 operating budget.

The proposed 2024 tax-supported operating budget and 2025-2026 plan are summarized in Table 1 and Table 2 below:

Table 1: Proposed 2024 Tax-Supported Operating Budget and 2025-2026 Plan

\$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
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	220.7	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%

Note: Some numbers may not add up due to rounding

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

(\$ M)	2022 Year-End Actuals	2023 Approved Budget	2024 Proposed Budget	2025 Plan	2026 Plan
Public Works	60.2	62.8	66.1	66.6	67.4
Vaughan Fire & Rescue Service	58.5	60.0	61.1	62.8	63.9
Infrastructure Development	40.8	40.7	44.4	45.9	46.5
Community Services	29.8	32.6	40.4	42.3	43.4
Planning & Growth Management	36.4	27.1	28.3	29.0	28.4
Corporate Services & CFO	27.3	31.2	32.6	33.1	33.6
Legal & Administrative Services	26.6	24.8	24.3	24.7	25.1
Communications & Economic Development	6.9	7.7	8.0	8.2	8.4
Vaughan Public Libraries	20.0	23.1	23.3	25.8	26.2
Other Offices	7.1	9.7	9.6	9.9	10.1
Financial & Non-Program Items*	47.8	35.2	39.2	43.1	53.8
Total Tax Supported Gross Expenditures	361.3	355.0	377.4	391.4	407.0
Add: Water, Wastewater and Stormwater	186.9	190.8	200.9	208.9	216.0
Total Tax and Rate Supported Gross Expenditures	548.2	545.8	578.3	600.3	623.0

* 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 and reliable drinking water distribution, effective wastewater collection, and efficient stormwater management are cornerstones of a sustainable and healthy community. To achieve this, continued operating and infrastructure investments are critical to ensure the City's water, wastewater and stormwater systems remain financially sustainable now and into the future. The 2024 budgeted rates will generate net total reserve contributions of \$20.1 million to fund water, wastewater, and stormwater-related programs and services.

The combined City of Vaughan 2024 rate increase for water and wastewater is \$0.1963 per cubic meter, or 3.9 percent, over the 2023 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 \$16.2 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 \$49.08 annually or \$4.09 per month.

The 2024 stormwater charge will increase by 9.5 percent over the 2023 charge, with an expected contribution of \$3.9 million to the reserve. The impact to a detached home will be an annual increase of \$5.57. The stormwater reserve is experiencing significant pressure and is anticipated to be in a negative position within the next two years. Increases in charges must continue in future years to build stormwater reserves to meet future infrastructure funding needs. The City will be initiating a new Stormwater Rate Study in 2024 to determine future stormwater charge requirements.

Capital Budget

The proposed 2024 Budget includes capital investments of \$216.5 million and forecast investments of \$386.8 million for the 2025-2026 plan

The proposed 2024 capital projects reflect investments that support Council priorities, which include transportation and mobility, city building, community safety and well-being, and service excellence and accountability 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 2024 budget includes investments of \$59.5 million for 128 new capital projects and \$157.0 million investment in 186 existing capital projects. Table 3 highlights the alignment of capital investments to Council priorities and the City's commitment to service excellence.

Table 3: Capital Budget and Plan Alignment to Council Priorities

(\$M)	2023 Budget	2024 Proposed Budget	2025-2026 Plan	2024-2026 Total	2024 - 2026 Number of Projects
Term of Council Priorities					
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	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	0.0	0.6	0.3	0.9	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

Establishment of a New Reserve Fund “Canada Housing Accelerator Fund”

As a measure to increase the housing supply across the country, the Government of Canada introduced the Housing Accelerator Fund (HAF) in the 2022 federal budget to accelerate the construction of housing and process to approve building permits. The Canada Mortgage and Housing Corporation (CMHC) is responsible for the disbursement of HAF on behalf of the Government of Canada.

The City of Vaughan applied to receive funding under HAF. The application included a proposed action plan and commitments that the City will undertake to achieve the goals for the Housing Accelerator Fund. The application was approved on October 4, 2023, and the City of Vaughan entered into an agreement with CMHC, to receive \$59,153,675 in 4 equal instalments of \$14,788,418 over the next four years beginning in 2023.

The terms and conditions of the agreement requires the establishment of a new obligatory reserve fund to serve as the designated repository for the accumulation and management of funds to be received. As such, the creation of a new reserve fund entitled “Canada Housing Accelerator Fund” is recommended to deposit the funds to be used for eligible growth capital projects.

The funds will be allocated across Council approved growth-related capital projects that support housing availability and affordability in line with the agreed-upon targets for the City of Vaughan, such as:

1. Vaughan Metropolitan Centre (VMC) Black Creek Renewal
2. Bass Pro Mills (Hwy 400 to Weston Road)
3. Vellore Woods Blvd / Creditview Road Extension (Environmental Assessment)
4. VMC - Jane Street Sanitary Sewer Upgrade

Staff will review eligibility criteria and will apply HAF to projects that support the availability of housing. Funding for existing projects replaced by HAF will be returned to the original source(s). All projects that are eligible will be brought forward to Council either via a report for in-year approval in 2024 and/or future budget submissions for consideration.

Operational Impact

The proposed 2024 Budget and 2025-2026 Financial Plan has an operational impact on the City's near-term and long-range fiscal ability to provide the services and assets needed to shape Vaughan as a growing City. The budget and plan are developed through engagements with all City departments throughout the budget timeline. Consultation efforts help to identify the impact of base budget and growth-related pressures on the City's financial position, establish objectives and projected results of key performance indicators, and outline the roadmap for Vaughan's operating, infrastructure growth and renewal activities.

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 2024 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 2024, representing 78 percent of the City's combined water and wastewater costs.

Conclusion

The proposed 2024 Budget and 2025-2026 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.

Attachments

1. Draft 2024 Budget and 2025 – 2026 Financial Plan:
 - a. Volume 1 – Budget Overview
 - b. Volume 2 – Department Budgets
 - c. Appendices

2. 2024 Proposed User Fees and Service Charges.

Attachment 1 has 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](#).



Steven Del Duca
Mayor