

## **CITY OF VAUGHAN**

### **EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 14, 2019**

Item 24, Report No. 17, of the Committee of the Whole, which was adopted without amendment by the Council of the City of Vaughan on May 14, 2019.

#### **24. PROVINCIAL REGIONAL GOVERNMENT REVIEW – MAINTAINING THE CITY OF VAUGHAN’S EXISTING GOVERNANCE FRAMEWORK**

**The Committee of the Whole recommends approval of the recommendation contained in the following report of the Interim City Manager and Chief Financial Officer and City Treasurer, dated May 7, 2019:**

##### **Recommendations**

1. THAT, it is the official position of Mayor and Members of Council to maintain the City of Vaughan’s existing (status quo) two-tier municipal government model in York Region to ensure the continued delivery of quality public services, while safeguarding the property tax base;
2. THAT, both the ‘City of Vaughan – Review of Regional Government – Scenario Impact Analysis report, prepared by StrategyCorp, and the Regional Governance Review – City of Vaughan’ [Attachment 1], and ‘York Region Fiscal Impact Analysis report’, prepared by Hemson Consulting Ltd., [Attachment 2] be received; and
3. THAT, the City of Vaughan’s official position, as outlined in this report, be forwarded to the Premier, the Minister of Municipal Affairs and Housing, Vaughan’s Members of Provincial Parliament, York Region and the Association of Municipalities of Ontario.



## Committee of the Whole

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**DATE:** Tuesday, May 07, 2019

**WARD(S):** ALL

**TITLE: PROVINCIAL REGIONAL GOVERNMENT REVIEW –  
MAINTAINING THE CITY OF VAUGHAN’S EXISTING  
GOVERNANCE FRAMEWORK**

**FROM:**

Tim Simmonds, Interim City Manager

Michael Coroneos, Chief Financial Officer and City Treasurer

**ACTION:** DECISION

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**Purpose**

To recommend the maintenance of the City of Vaughan’s existing two-tier municipal government model within York Region to ensure the continued delivery of quality public services, while safeguarding the property tax base. The report further informs Mayor and Members of Council about potential scenarios that may affect the City of Vaughan’s governance structure and public finances because of the regional government review currently underway by the Ontario government.

## **Report Highlights**

- Vaughan has a successful track record that aligns with the provincial government's priorities, both generally and as part of the regional government review, and an overall effort to find savings, to improve service delivery for citizens and to create a competitive environment for economic opportunity and job creation.
- Both StrategyCorp and Hemson Consulting Ltd. were retained by staff to analyze potential scenarios that could result from the review, including: amalgamation of York Region municipalities, Vaughan as a single-tier municipality, service reform and status quo.
- After ongoing consideration and analysis of the four scenarios, it remains premature to understand the full cost of each of the presented scenarios given the broad mandate of the regional government review.
- The City continues to be highly successful in the existing two-tier municipal government model within York Region. This is evident by the City's ability to deliver quality public services and protect property taxpayers, as reflected in the results of the 2018 Citizen Satisfaction Survey.
- Maintaining the City's existing two-tier municipal government model, within York Region, is consistent with the Ontario government's priorities. Both generally and as part of the regional government review, it aligns in the focus to reduce red tape, improve service delivery for citizens and create a competitive environment for economic opportunity and job creation.
- The findings presented in this report provide the City with greater context about the potential decisions that could be made by the Ontario government. These findings better allow the staff working group to monitor and prepare for the anticipated outcomes of the review.

## **Recommendations**

1. THAT, it is the official position of Mayor and Members of Council to maintain the City of Vaughan's existing (status quo) two-tier municipal government model in York Region to ensure the continued delivery of quality public services, while safeguarding the property tax base;
2. THAT, both the 'City of Vaughan – Review of Regional Government – Scenario Impact Analysis report, prepared by StrategyCorp, and the Regional Governance Review – City of Vaughan' [Attachment 1], and 'York Region Fiscal Impact Analysis report', prepared by Hemson Consulting Ltd., [Attachment 2] be received; and

3. THAT, the City of Vaughan's official position, as outlined in this report, be forwarded to the Premier, the Minister of Municipal Affairs and Housing, Vaughan's Members of Provincial Parliament, York Region and the Association of Municipalities of Ontario.

## **Background**

### **Regional Government Review:**

In January 2019, the Ontario government announced it would proceed with a review of regional government. Former city manager Michael Fenn and former Waterloo Region chair Ken Seiling were appointed as special advisors to undertake this work.

The review is examining Ontario's eight regional municipalities (Halton, York, Durham, Waterloo, Niagara, Peel, Muskoka District and Oxford County), the County of Simcoe and their lower-tier municipalities. In total, 82 upper- and lower-tier municipalities are included in the review. Ontario's regional government model has been in place for almost 50 years.

According to the terms of reference for the special advisors, the mandate of the advisory body is to provide expert advice to the Minister of Municipal Affairs and Housing (MAH) and to make recommendations to the government on opportunities to improve regional governance and service delivery.

The special advisors have undertaken consultations with elected officials, the Association of Municipalities of Ontario and the Association of Municipal Managers, Clerks and Treasurers of Ontario, among other stakeholders. Online public consultations close on May 21, 2019. In-person consultations led by the special advisors continue to take place. Staff have been present for these consultations and will continue to do so.

| <b>Special Advisors In-Person Consultations</b> |                     |
|---|---------------------|
| <b>Date</b>                                     | <b>Municipality</b> |
| April 16  | Oxford County       |
| April 24  | Waterloo Region     |
| April 29  | Durham Region       |
| May 1   | Niagara Region      |
| May 6   | York Region         |
| May 8   | Peel Region         |
| May 13  | Simcoe County       |
| May 14  | Muskoka District    |
| May 17  | Halton Region       |

Recommendations will be submitted to the Minister in early summer 2019. The Minister may retain the special advisors to assist with additional advice until Sept. 30, 2019.

*Ontario Municipalities Respond:*

Municipalities across Ontario that are impacted by the regional government review have referred to their most recent governance review documents to facilitate discussion and inform their responses to MAH.

Halton Region undertook an in-depth review of regional representation prior to the 2018 municipal election that resulted in changes to their representation structure. In a letter to the Minister of MAH, Halton Region and its four local municipalities referred to this review as evidence that the current composition is working effectively. On March 4, 2019, the lower-tier municipality of Milton unanimously passed a motion that endorsed the effectiveness of the current two-tier municipal government model in Halton Region.

Simcoe County also revisited previous governance review documents and the various Regional government composition models that were considered in the past. Simcoe County Council members and past wardens engaged in discussions at a facilitated workshop, provided by an external consultant, the outcomes of which will be used to inform their response to MAH.

In a March 26, 2019 article published in *The Toronto Star*, the Mayor of Brampton publicly commented that he would like Peel Region to remain in place.

The City of Mississauga has publicly expressed its desire to separate from Peel Region and become a single-tier municipality.

*Municipal Responses – City of Vaughan:*

During a meeting of the [Finance, Administration and Audit Committee on April 1, 2019](#), staff brought forward a report to begin the formal public process for Mayor and Council to discuss the potential impacts of the province's regional government review.

The report requested that Council authorize the Interim City Manager and/or the Chief Financial Officer and City Treasurer to engage external consultant(s) to conduct an analysis of the key potential outcome(s) of the provincial regional government review.

Following Council's direction, staff retained both StrategyCorp (SCI) and Hemson Consulting Ltd. to analyze potential scenarios that could affect the City's governance structure and public finances because of the current regional government review.

## **Previous Reports/Authority**

[Provincial Regional Government Review submitted to the Finance, Administration and Audit Committee for April 1, 2019.](#)

## **Analysis and Options**

Working with SCI and Hemson Consulting Ltd., the following four scenarios were identified to be reviewed because they reflect precedent and ongoing public debate:

- Scenario 1: Amalgamation – the creation of one single-tier municipality for all of York Region.
- Scenario 2: Single-tier city – the elimination of York Region and the City of Vaughan becoming a single-tier municipality.
- Scenario 3: Service reform – the consolidation of selected public services.
  - As previously reported to Council, there may be a realignment in services provided at the regional or local municipal level or upload/download of services to/from the Province that occur because of the current regional government review.
  - Service reform appears consistent with the Province's commitment to find efficiencies and reduce costs. There are currently several provincially-led examples of service reforms taking place.
  - In February 2019, the Ontario government introduced legislation to create a new agency, called Ontario Health, to consolidate the 14 Local Health Integration Networks, Cancer Care Ontario, eHealth Ontario and several other agencies.
  - Media reports confirmed that the provincial government's April 2019 budget included plans to merge the 59 local ambulance services into 10 and the consolidating of the province's 35 public health units into 10 regional agencies by 2021.

- On May 2, 2019, the provincial government tabled first reading of Bill 107, *Getting Ontario Moving Act (Transportation Statute Law Amendment), 2019* – as part of its commitment to upload TTC subway infrastructure from the City of Toronto.
- Scenario 4: Status Quo – It should be noted that the terms of reference for the special advisors explicitly asks, “*are two-tier structures appropriate for all of these municipalities?*” As a result, in consultation with the retained consultants, it was determined that the City’s status-quo framework within York Region should be included for analysis and discussion. As previously noted, the Town of Milton unanimously passed a motion that endorsed the effectiveness of its current two-tier government model with Halton Region. The Township of Caledon unanimously passed a similar motion about maintaining the status quo.
- Maintaining the status quo is reflected in the ongoing city-building success delivered by Mayor, Members of Council and members of the administration to improve the citizen experience and deliver Service Excellence. Of note:

*Fiscal Responsibility:*

- Since 2015, the City has achieved approximately \$30 million in savings.
- For the last nine years, Vaughan has passed budgets that kept the property tax rate increase below three per cent per year.
- Vaughan has one of the lowest property tax rates in the Greater Toronto Area.
- The City has received the 2018 Annual Achievement of Excellence in Procurement award (AEP) from the National Procurement Institute. Vaughan is one of only six agencies in Ontario and one of 65 cities in North America to receive this award.
- For 10 consecutive years, the City has received the Distinguished Budget Presentation Award, an international award of excellence in budgeting, from the Government Finance Officers Association.

*Economic Prosperity, Investment and Social Capital:*

- According to the 2018 Business Satisfaction Survey, the vast majority of businesses (95 per cent) reported Vaughan’s quality of life as being very good or good.
- Since 2010, the City has issued nearly \$11 billion in building permits.
- Since 2010, Vaughan has led with an economic growth rate of four per cent – far outpacing Ontario and Canada – and has seen the creation of more than 60,000 new jobs.
- The city has the highest employment in York Region.

- Vaughan is home to more than 12,000 businesses that employ more than 222,000 people.
- Since 2010, the business advisory services provided by the Vaughan Business Enterprise Centre have helped entrepreneurs start or expand nearly 3,300 businesses in Vaughan.
- The City became the first municipality in Canada to sign a Memorandum of Understanding with US Ignite and to join the organization's Smart Gigabit Community – an effort to advance the Smart City agenda.

#### *City Building:*

- The Vaughan Metropolitan Centre (VMC) is the largest and most ambitious project in the City's history.
- The City of Vaughan won the Ontario Traffic Council's Project of the Year Award for the VMC.
- In January 2019, it was announced that Niagara University had expanded its new bi-national site to the VMC. This marked the arrival of the first university to Vaughan and York Region.
- The VMC will be home to the future PwC-YMCA Tower, which will feature a YMCA and a City of Vaughan Centre for Community. This addition to the downtown will also have a new Vaughan Public Libraries branch, a community kitchen, as well as dance and music spaces, among many other amenities.
- A new policy allowing secondary suites was approved – part of Vaughan's commitment to create, manage and provide safe and affordable housing options.
- Mayor Maurizio Bevilacqua joined leaders from the Building Industry and Land Development Association to renew Vaughan's commitment to investment-ready planning best practices.
- The City is exploring the emerging use of short-term rentals, along with any issues, opportunities and best practices that come with it.
- Vaughan launched a new online service to purchase visitor parking permits, expanding the limits for more flexibility and making it easier for enforcement officers to check if a vehicle has permission to park.
- The City launched a secondary plan of Weston Road and Highway 7 to develop an enhanced vision of what the area can become within the next 20 years and beyond.

#### *Transportation and Mobility:*

- The City has nearly 150 kilometres of new roads.
- Highway 427 is being expanded and Highway 400 is being widened.



- Vaughan is the only municipality outside of Toronto to be connected to TTC subway service. The city's three subway stations include the Vaughan Metropolitan Centre, Highway 407 and Pioneer Village stations.
- The City received the John Niedra Better Practices Competition for Equipment Innovation and Made In House Solution Award from the Ontario Good Roads Association.
- The City received the 2017 Management Innovation Award for the Winter Road Maintenance Services and Waste Collection Contracts.

*Active, Safe and Diverse Communities:*

- According to York Regional Police, Vaughan is one of the safest communities in Canada.
- In April 2018, the City broke ground on the new 10,250-square-foot Vaughan Fire and Rescue Service (VFRS) station in Kleinberg, scheduled to open in 2019.
- VFRS unveiled a new \$1.2 million training tower, allowing VFRS staff the ability to train firefighters on all types of hazard responses in a controlled environment with conditions like actual fire calls.
- In April 2018, the community broke ground on the future site of Hospice Vaughan.
- The city's new \$1.6-billion Mackenzie Vaughan Hospital will be the first hospital in Canada to feature fully integrated smart technology systems and medical devices that can speak directly to one another to maximize patient care.
- The efforts and events of the Spirit of Generosity commitment have raised more than \$30 million for community organizations – including the historic \$20-million donation to the Mackenzie Vaughan Hospital, announced during the 2018 Mayor's Gala.
- Festivities such as the Christmas Tree Lighting, Lunar New Year and Menorah Lighting Ceremony have become annual traditions, as have celebrations of Black History Month and Jewish Heritage Month, along with many of Vaughan's culture days and community organization flag raisings.
- The City opened the new Pierre Berton Heritage Centre – Vaughan's newest multi-purpose, accessible community facility celebrating the works of Kleinburg native Pierre Berton.
- The City's Events Team in Recreation Services received the Achievement Award for Best Volunteer Program and was recognized as a Top 100 Festival for Vaughan's popular Concerts in the Park series.
- In 2018, the City opened the Vellore Village Library – the 10th branch in Vaughan.
- Vaughan Public Libraries earned the Angus Mowat Award of Excellence and the Joyce Cunningham Award for Public Library Board of the Year.
- Vaughan is the recipient of the David C. Onley Award for Leadership in Accessibility.

### *Environmental Stewardship:*

- The City opened Phase One of the new 900-acre North Maple Regional Park.
- More than 21,000 trees have been planted as part of the City's tree replacement plan.
- Vaughan has more than 230 kilometres of signed cycling and pedestrian routes, including 60 kilometres of multi-use recreational pathways.
- City operation efforts have reduced greenhouse gas emissions by 22 per cent.
- The City completed a business case for LED streetlight retrofit that will save the City an estimated 9,000 MWH annually and approximately \$15 million in electricity costs each year once completed.
- Since 2010, more than 127,000 citizens have participated in the 20-Minute Makeover across Vaughan.
- On March 30, the City once again marked Earth Hour at Vaughan City Hall. As a result, Vaughan reduced its energy consumption by an outstanding 4.2 per cent (13.68 megawatts), outpacing last year's total of 3.6 per cent (12 megawatts).
- A more than 170-year-old Bur Oak was designated as a Heritage Tree. It measures 24 metres tall and 23 metres at the widest point of its branches and is believed to have taken root just after the village of Kleinburg was founded in 1848.

### *Good Governance and Operational Performance:*

- Council approved the City of Vaughan's new 2018-2022 Term of Council Service Excellence Strategic Plan.
- The Vaughan Accord was once again unanimously endorsed at a special signing ceremony at the 2018-2022 inaugural.
- The results of the 2017 Internal Audit Governance and Accountability Survey show that there has been a significant improvement in employee morale from previous years.
- The Internal Audit department, the Office of the Integrity Commissioner and Lobbyist Registrar and the Anonymous Reporting System are all proven examples that Vaughan continues to go above and beyond in its efforts to deliver a quality of government service for taxpayers that is second to none.

The results of the 2018 Citizen Satisfaction Survey found:

- 97 per cent of citizens are happy with the quality of life in Vaughan
- 92 per cent of citizens are proud to be from Vaughan
- 91 per cent of citizens feel Vaughan is a welcoming community
- 91 per cent of citizens have an overall satisfaction with City services
- 90 per cent of citizens are satisfied with service delivery

Satisfaction with individual services:

- 100 per cent for fire services
- 96 per cent for local public libraries
- 93 per cent for recreation and fitness facilities
- 91 per cent for recreation and fitness programs
- 91 per cent for garbage, recycling, organics and yard waste collection
- 91 per cent for off-road multi-use/nature trails
- 90 per cent for maintenance of parks and greenspaces
- 90 per cent for arts and culture

## **Financial Impact**

N/A

## **Conclusion**

After ongoing consideration and analysis of the four scenarios, it remains premature to understand the full cost of each of the presented scenarios, given the broad mandate of the regional government review. There will be greater clarity once the special advisors make their findings public and the provincial government takes a position on potential reforms to York Region and the City of Vaughan.

The recommendation of this report is to maintain the City's existing two-tier municipal government model within York Region. This will better align with the Ontario government's priorities, both generally and as part of the regional government review, to reduce red tape, improve service delivery for citizens and create a competitive environment economic opportunity and job creation.

The existing staff working group, made up of representatives from across the Corporation, will continue to monitor developments of the 2019 Ontario regional government review. This group will work with the Province, York Region and other municipalities across Ontario to explore further ways to continue to increase efficiency, improve service delivery and enhance collaboration within the existing regional governance structure or any potential future structure.

The findings presented in this report provide the City with greater context about the potential decisions that could be made by the Ontario government. These findings better allow the staff working group to monitor, prepare and serve as an implementation team for whatever the outcomes of the review conclude for Vaughan and York Region. Staff will continue to keep the Mayor and Members of Council updated as subsequent announcements made by the provincial government about the ongoing regional government review become available.

**For more information,** please contact: Tim Simmonds, Interim City Manager, ext. 8427.

### **Attachments**

1. City of Vaughan – Review of Regional Government – Scenario Impact Analysis report, prepared by StrategyCorp.
2. York Region Fiscal Impact Analysis report, prepared by Hemson Consulting Ltd.

### **Prepared by**

Michael Genova, MA, MPA, Director, Corporate and Strategic Communications, ext. 8027.



## Memorandum

To: City of Vaughan  
From: StrategyCorp Inc.  
Date: 05/01/2019  
Re: Review of Regional Government – Scenario Impact Analysis

### Introduction

StrategyCorp (SCI) was asked to review and analyze the various scenarios earlier identified by the City of Vaughan (the City) within the context of the Provincial government's Regional Governance Review (the Review) and to assess the potential impacts on the City of each scenario.

It was understood that this analysis may be used to support an independent submission by the City to the Province.

SCI worked with City representatives to complete this analysis. As part of this analysis, consideration was given to intelligence gathered through conversations with government and non-government contacts, desktop research, media scans, and the monitoring of regional council meetings and the Province's public consultations.

The results of the analysis are outlined in this memorandum.

### Overall Considerations and Comments

To set the context for the analysis of the different scenarios developed by the City which could form the basis of a City submission to the Province, consideration was given to the following:

- The **Provincial Submission Guidelines** which outlined various questions that should be considered:
  - Improving representation and decision-making (e.g., council size, selection process, and municipal structure)
  - Improving the quality of municipal services and reducing costs (e.g., land-use planning, public infrastructure, economic development and social services)
  - Where you see municipal governments in 10 years
- The questions to be addressed by the **Provincial Advisory Body** that has been established by the Province to facilitate the public consultations and make recommendations to government. These questions cover two areas:

- Municipal Governance and Decision-Making:
  - Is the decision-making (mechanisms and priorities) of upper- and lower-tier municipalities efficiently aligned?
  - Does the existing model support the capacity of the municipalities to make decisions efficiently?
  - Are two-tier structures appropriate for all of these municipalities?
  - Does the distribution of councillors represent the residents well?
  - Do the ways that regional councillors/heads of council get elected/appointed to serve on regional council help to align lower- and upper-tier priorities?
- Municipal Service Delivery:
  - Is there opportunity for more efficient allocation of various service responsibilities?
  - Is there duplication of activities?
  - Are there opportunities for cost savings?
  - Are there barriers to making effective and responsive infrastructure and service delivery decisions?

Based on conversations with government and non-government contacts, it's anticipated that a primary focus of the government review will be on service reforms focused on creating efficiencies. It's further understood that at this time there are no specific issues related to the City.

The positions of other municipalities were determined based on media scans and desktop research. The broad themes resulting from the scan and research are summarized below:

- General opposition to amalgamation with Mississauga as the main exception
- Growing concern regarding a predetermined outcome of the review
- Need to ensure that local solutions are implemented – not a broad-based approach
- Need for adequate consultation with municipalities and the public
- Need to identify efficiencies within the current governance framework
- Need to protect service levels to citizens

Consideration was also given to the work completed to date by the York Region Governance Task Force. It's understood that the Region is asking the local municipalities to provide comments on two items which will form the basis of the Region's response to the Review:

- Criteria for Service Migration: Cost savings; efficiency; measurable outcomes; improved customer experiences; increased accountability and transparency; agreement among municipal partners
- Draft Written Response: Will cover the about noted Provincial Submission Guidelines noted above (a draft response to these questions was distributed by the Task Force at its April 18, 2019 meeting)

## Overall Approach

The approach to this engagement followed three main steps:

- Confirmed the upper and lower-tier services in the Region based on a definition developed by the Region (breakdown is provided below)
- Determined the scenarios that the City should review and analyze in greater detail (considering the scenarios identified in the April 1, 2019 report to Council and subsequent discussions with staff and other advisors)
- Assessed the impact of each potential scenario on the City using a standard set of questions (outlined below)

## Regional Service Delivery Model

| Regional Upper Tier Services  | Local Lower Tier Services  | Both Regional and Local Services   |
|---|--|--|
| <ul style="list-style-type: none"> <li>• Children's Services*</li> <li>• Court Services*</li> <li>• Forestry</li> <li>• Housing Services*</li> <li>• Long-Term Care*</li> <li>• Paramedic Services*</li> <li>• Police Services</li> <li>• Public Health* Social Assistance*</li> <li>• Transit</li> </ul> | <ul style="list-style-type: none"> <li>• Building</li> <li>• Fire</li> <li>• Libraries</li> <li>• Licensing</li> <li>• Parks, Recreation &amp; Heritage</li> <li>• Stormwater Drainage &amp; Management</li> </ul> | <ul style="list-style-type: none"> <li>• By-Law Enforcement</li> <li>• Borrowing/Tax Collection</li> <li>• Economic Development</li> <li>• Emergency Planning</li> <li>• Planning</li> <li>• Roads</li> <li>• Waste Management</li> <li>• Water</li> </ul> |

\* Denotes programs that are Provincially mandated and/or funded

## Scenario Development & Evaluation Framework: Assessment Questions

To assess the potential impacts of each scenario, StrategyCorp developed an evaluation framework which outlined several questions to be considered in completing the analysis.

The objective of the evaluation was to provide sufficient detail on the potential impacts and implications of the various scenarios and to enable the City to determine an appropriate go forward strategy.

| Scenarios      | Scenario Description   | Community Impact  | Service Impact  | Fiscal Impact  | Organizational Impact   | Alignment with Provincial Priorities & Objectives  | Other Considerations & Comments  |
|----------------|--|---|---|--|---|--|--|
| Amalgamation   | Create one single-tier municipality  | What would be the overall impact on residents and businesses?   | What would be the overall impact on the services offered to the community?                                      | What would be the potential impact on the financial position of the City considering:  | What would be the potential impact on the staff, resources, systems, facilities or structure of the organization?   | How does the scenario align with the understood Provincial priorities and objectives? Are there other political factors that should be considered? | Are there other factors that should be considered in the evaluation of the scenario? Would other “governance” or “coordinating” structures be required to support the scenario? If yes, what are they and what would be the financial and/or operating implications? |
| Single-Tier    | Separate City from Region to become a standalone municipality  | Would property/business taxes change? If yes, how?  | Would services be provided more efficiently? If yes, how?   | <ul style="list-style-type: none"> <li>Operating revenues &amp; costs</li> <li>Property taxes</li> <li>Capital investment</li> <li>Overall sustainability</li> </ul> | What would be the impact on the City’s governance structure (e.g., council size, distribution or selection process)? Would overall decision-making be improved? |  |  |
| Service Reform | Maintain current upper & lower tier service accountabilities while exploring opportunities for service efficiencies & improved effectiveness | Would the understanding of and/or access to government be affected? If yes, how? Would there be an impact on the City identity/brand? | Would services need to be shared and/or coordinated? If yes, how and what would be the impact on City services? | Would there be an impact on City debt? If yes, how? Would there be an impact on the City’s credit rating?  |   |  |  |

## Potential Scenarios

As outlined in the above table, the analysis considered three scenarios which are summarized below:

- **Scenario 1: Amalgamation** (included in April 1’19 report to F&A Committee)
  - Create one single-tier municipality
- **Scenario 2: Single-Tier** (included in April 1’19 report to F&A Committee)
  - Separate City from Region to become a standalone municipality
- **Scenario 3: Service Reform** (combines “Service structure reform within the Region” and “Service jurisdiction reform” as outlined in the April 1’19 report to F&A Committee)



- Maintain current upper and lower tier service accountabilities while exploring opportunities for service efficiencies and improved effectiveness

It was understood that the “Status Quo” as an option will be separately addressed and will highlight what the City is already doing to improve service efficiency and effectiveness and reduce operating costs.

It was also noted that there are several potential amalgamation scenarios in addition to creating one City. The City will need to review and analyze the implications to the City if the Province decides to amalgamate some municipalities in the Region but not Vaughan while retaining a two-tier structure.

## Scenario Impact Assessment

### Amalgamation

| Community Impact   | Service Impact   | Fiscal Impact  | Organizational Impact   | Other Comments   |
|--|--|--|---|--|
| <ul style="list-style-type: none"> <li>Provides “one window” for delivery of all services in the “new City”. Whether or not this has a negative affect on Vaughan will depend on where &amp; how the services are delivered.</li> <li>There would potentially be a lose of the Vaughan identity and brand depending on how the “new City” decides to plan, deliver, manage &amp; promote the services provided in each of the former lower-tier municipalities</li> <li>The strategic direction &amp; priorities of the “new City” may not reflect the needs &amp; requirements of the residents &amp; businesses of the former Vaughan</li> </ul> | <ul style="list-style-type: none"> <li>The service impact would depend on the how services are provided, the level of service offered &amp; the staffing model               <ul style="list-style-type: none"> <li>Offers the opportunity to rationalize &amp; streamline services to eliminate duplication</li> </ul> </li> <li>Based on other experience, it’s expected that services would evolve to the highest level of service offered in the current Region</li> <li>Services may not be “customized” to meet the unique expectations or requirements of the original lower-tier municipalities leading to lower citizen satisfaction in Vaughan. This will depend on the service &amp; staffing model (e.g., if service delivery is based on geography, Vaughan’s unique needs may be addressed).</li> <li>Existing facilities, operating yards and related services (e.g., fire) could be rationalized. The impact on Vaughan would depend on the service model.</li> <li>Existing IT systems could also be rationalized. The challenge would be the potential investment required to move to a common IT infrastructure.</li> </ul> | <ul style="list-style-type: none"> <li>In the short term, service costs could increase with pressure to move to the highest service level               <ul style="list-style-type: none"> <li>This should decline over time as services are rationalized</li> <li>This could drive up taxes in short term</li> </ul> </li> <li>Economies of scale &amp; facility rationalization could drive cost savings &amp; efficiencies across the “new City” leading to lower taxes</li> <li>Provides an opportunity to rationalize operating &amp; capital planning &amp; budgets based on the “new City” needs. However, this may lead to cross-subsidies to the detriment of Vaughan.</li> </ul> | <ul style="list-style-type: none"> <li>Organizational &amp; service rationalization may result in less staff               <ul style="list-style-type: none"> <li>Past experience indicates there will be less senior staff which would reduce overall operating costs</li> </ul> </li> <li>It’s assumed that there would be less councillors &amp; the role/responsibilities of the “new City” councillors would be changed to accommodate former Regional &amp; lower-tier services               <ul style="list-style-type: none"> <li>With less councillors, decision-making could be expedited</li> <li>Assuming an increase in population served, access &amp; effective representation could be reduced</li> <li>It would eliminate the “competition” between Region &amp; local councillors</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>Under scenarios 1 &amp; 2:               <ul style="list-style-type: none"> <li>Existing contractual &amp; legal commitments &amp; requirements would need to be sorted out</li> <li>The relationship with existing agencies, boards and commissions would need to be reviewed &amp; confirmed</li> </ul> </li> </ul> |

## Single-Tier

| Community Impact  | Service Impact  | Fiscal Impact   | Organizational Impact   | Other Comments  |
|---|---|---|---|---|
| <ul style="list-style-type: none"> <li>Provides “one window” for delivery of all services to City residents &amp; businesses which should increase convenience &amp; access</li> <li>Strategic direction &amp; priorities would be based on the needs &amp; requirements of the City</li> <li>City identity &amp; brand would be maintained &amp; potentially enhanced</li> </ul> | <ul style="list-style-type: none"> <li>All existing City services would be retained</li> <li>Services would need to be expanded to cover existing Regional services               <ul style="list-style-type: none"> <li>Rather than providing the services directly, they could be delivered through service agreements with the Region, surrounding municipalities and/or other organizations</li> </ul> </li> <li>Service levels would need to be confirmed</li> </ul> | <ul style="list-style-type: none"> <li>The impact on operating costs will depend on services provided, service delivery arrangements, service levels &amp; the staffing model               <ul style="list-style-type: none"> <li>The key variable will be decisions regarding the former Regional services</li> </ul> </li> <li>Given the City will need to provide/manage more services, total operating costs could increase</li> </ul> | <ul style="list-style-type: none"> <li>Staffing model &amp; organizational structure would need to be adjusted to provide for the delivery of former Regional services</li> <li>Decision-making would be based on City direction &amp; priorities</li> <li>There would be a saving in councillor &amp; staff time given no longer participating in Regional meetings</li> </ul> | <ul style="list-style-type: none"> <li>Potentially need to manage “third party” service agreements depending on decisions regarding delivery of former Regional services</li> </ul> |

## Service Reform

| Community Impact  | Service Impact | Fiscal Impact | Organizational Impact | Other Comments |
|---|----------------|---------------|-----------------------|----------------|
| <p>The extent of the impacts will be driven by any changes in:</p> <ul style="list-style-type: none"> <li>Lead accountability for service delivery (services could be downloaded or uploaded to improve service efficiency and effectiveness – would be determined in consultation with the Region)</li> <li>Services provided (eliminate duplications)</li> <li>Service levels (ensure consistency across the City)</li> <li>Service delivery (streamlining to eliminate redundancies or unnecessary activities)</li> <li>Staffing model (rationalize staffing ratios given service demands)</li> </ul> <p>As a result, it’s difficult to conclude on the extent of the impact of any service reforms. Presumably, any service changes that are proposed and approved would result in either lower costs and/or improved service efficiency and effectiveness.</p> |                |               |                       |                |



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## MEMORANDUM

### CONFIDENTIAL DISCUSSION DRAFT (April 30, 2019)

**Re: Regional Governance Review - City of Vaughan and York Region Fiscal Impact Analysis**

#### **A. BACKGROUND**

The Province of Ontario is currently undertaking a Regional Government Review of Ontario's eight regional municipalities (Halton, York, Durham, Waterloo, Niagara, Peel, Muskoka District, and Oxford County), in addition to Simcoe County and all respective lower-tier municipalities. The purpose of the review is to ensure that the upper- and lower-tier municipalities in these geographic areas are efficient and accountable to their residents and businesses. The City of Vaughan is currently preparing all background information necessary to submit comments on the review to York Region and the Province.

The City has identified 3 potential scenarios that may affect the governance structure in the City of Vaughan and York Region. This document focuses on a high level assessment of the financial impact of changes to select services currently delivered by the City and Region under each of the 3 scenarios.

The financial impacts under each of the 3 scenarios have been determined with reference to past experience in Ontario. The analysis also takes into account the impact on net costs, both at the City and Regional level, to changes to service delivery. The financial impacts are intended to be an order of magnitude analysis to provide supporting commentary to help inform the City's submission to York Region and the Province.

### **Scenario 1: Amalgamation – Creation of One Single-Tier Municipality for all of York Region**

1. Significant service disruption for services currently provided by the lower-tier municipalities would be expected.
2. Based on experience in Ontario, in the short-term, it is anticipated that there will be an upward pressure on costs. Amalgamation service standards/levels tend to move to the highest levels provided in the existing lower-tier municipalities. This has capital and operating impacts on infrastructure.
3. Experience also shows that municipal amalgamations result in compensation levels (salaries, wages and benefits) moving to the higher levels of the existing municipal compensation scales rather than the average or lowest.
4. These upward cost pressures can be offset, in part, by rationalization of staff, co-ordination of service delivery (fewer facilities) and economies of scale (larger purchasing and contracting powers resulting from larger size), however these often take time to achieve.
5. The analysis would suggest the potential to achieve cost savings over the medium to long term, for the following services:
  - i. Significant cost saving areas: Water/Wastewater, Fire Services and Roads;
  - ii. Less significant and more limited potential savings: Library, Parks/Recreation and Solid Waste Management;
  - iii. Low expenditure areas and minimum potential cost savings: Planning, Economic Development, Emergency Planning and Tax Collection;
6. Other fiscal comments and considerations:
  - i. Amalgamation is likely to put downward pressure on development charge recoveries. The higher historical service levels of the southern municipalities, in particular, the Cities of Vaughan, Richmond Hill and Markham, will be weighed down by the lower service levels elsewhere and result in lower maximum permissible DC funding envelopes and funding capabilities. The result is either a decline in service levels, if the growth-related capital programs are reduced, or the need to fund lost DC revenue potential from the property tax base.
  - ii. Potential need for additional long-term debt financing for growth-related infrastructure.

- iii. Infrastructure deficits and asset management lifecycle works needed in an amalgamated Region will continue to be in line with current needs (sum of all municipalities and Region). Consideration for long-term lifecycle costs will need to continue, however some efficiencies may be possible through consolidation of administrative functions or centralized purchasing and contracting.
  - iv. Total debt in an amalgamated Region is a combination of existing debt obligations of all lower-tier municipalities and may cause pressure on debt capacity in the short term.
7. Impact on rate payers - given Vaughan's relatively high assessment base (compared to rest of York Region), a shift to an amalgamated municipality may result in relatively higher taxes paid by Vaughan residents.

#### **Scenario 2: Elimination of the Region and Vaughan as a Single-Tier City**

1. This scenario raises questions and issues related to how the existing Regional services will be delivered and funded:
  - i. Would all nine lower-tier municipalities continue to exist and become nine single-tier municipalities or would there be some amalgamations?
  - ii. Would "regional service boards" be created to deliver all or some regional services?
  - iii. How would existing assets and liabilities be apportioned among the resulting single-tier municipalities?
  - iv. It is important to note, that there are no historical examples to support this scenario.
2. It is assumed that services currently delivered by the City of Vaughan would not be impacted by this governance change.
3. The analysis would suggest potential fiscal impacts, over the medium to long-term, for the following services:
  - i. Consolidated Water and Wastewater services delivered by a single Region-wide servicing board could have possible cost savings.
  - ii. The delivery and funding of "Community & Health Services", currently a Region of York responsibility, is more complicated and may result in higher administration costs. Furthermore, service delivery of Community & Health Services may have a negative fiscal impact on Vaughan given the relative "wealth" of Vaughan when compared to other York Region

municipalities. However, this will depend on the approach used to allocate costs (including liabilities).

- iii. Creation of single-tier municipalities will allow for consolidation of services that now have joint delivery responsibility:
    - Roads is a high expenditure service area that includes both upper and lower- tier service delivery. The resulting shift of Vaughan being responsible for Regional roads located within the City will result in higher local costs but likely not significantly different than the City's allocated share of Regional road costs. Assume this will be largely cost neutral to Vaughan, but may provide planning and service delivery benefits that may result in some savings overtime.
    - Low expenditure areas and minimum potential cost savings: Planning, Economic Development, Emergency Planning and Tax Collection
  - iv. Assumed that the delivery of current City of Vaughan services is not impacted – with the exception of those items noted, in particular Water and Wastewater services.
4. Other fiscal comments:
- i. Creation of a single-tier City of Vaughan is unlikely to impact development charge funding shares for those services delivered directly by the new City. Services delivered by regional servicing boards will require additional analysis including legal questions, but it is assumed development charge funding levels would be largely the same.
  - ii. Potential need for additional long-term debt financing for growth-related infrastructure.
  - iii. Apportionment of infrastructure assets under this scenario is unclear. Cost savings over the long-term could be achieved under a regional servicing board structure, however there could be upward pressure on the infrastructure deficit if the City were to acquire additional assets.
  - iv. Responsibilities of existing debt obligations are also unclear and may have short-term pressure on debt capacity if Vaughan were to take on liabilities. Changes to debt obligations will likely mean refinancing agreements with creditors.

### **Scenario 3: Service Reform Through Consolidation of Selected Service Areas**

- 1. The City of Vaughan, Region of York and the other lower-tier municipalities, are constantly reviewing opportunities to achieve efficiencies and cost savings in the

delivery of municipal services. This scenario assumes the current two-tier governance structure remains unchanged while examining opportunities for further service reform where efficiencies and cost savings are likely to be achieved. It is noted that many of these opportunities would have occurred even without the Provincial Regional Governance Review and could be considered a status-quo improvement scenario.

2. It is assumed that services currently delivered by the Region would not be impacted.
3. The analysis would suggest potential fiscal impacts over the medium to long-term, for the following services:
  - i. Consolidated Water and Wastewater services delivered entirely by the Region could have possible cost savings.
  - ii. There are opportunities to explore changes to the delivery of fire services. Aurora and Newmarket currently have a joint-fire service. Vaughan has had initial discussions with Markham and Richmond Hill on opportunities to leverage joint purchasing, joint training and an option of combining a communication centre. These options may produce cost savings.
  - iii. The Region and the lower-tier municipalities have examined opportunities to change specific road jurisdiction and responsibilities to achieve efficiencies. Continuing this practice could result in efficiencies and costs savings overtime.
  - iv. Less significant potential savings: Planning and Solid Waste Management.
4. Other fiscal comments:
  - i. Service reform in this scenario is unlikely to impact development charge revenues. In the case of fire services, development charge recoveries may be lower as prevailing lower service levels in some parts of the Region will reduce historical service levels. Lower DC revenues are less likely under a 3-city scenario versus a Region-wide delivery service.
  - ii. The need for long-term debt will likely remain similar to current needs and current levels.
  - iii. Infrastructure deficits and asset management lifecycle works will continue to be in line with current needs. Some efficiencies can be gained in some service areas such as fire and water/wastewater if they were consolidated.
  - iv. Debt capacity would continue to be in line with current levels as services are largely unchanged.