

Special Committee of the Whole (Budget) Report

DATE: Wednesday, December 4, 2024

WARD(S): ALL

TITLE: PROPOSED 2025 BUDGET AND 2026 FINANCIAL PLAN

FROM:

Steven Del Duca, Mayor

ACTION: DECISION

Purpose

To present the proposed 2025 Budget and 2026 Financial Plan, tax-levy requirements, 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 2025 Budget and 2026 Financial Plan is to balance investing in the community and maintain financial sustainability, while moderating tax and utility rate increases.
- The proposed 2025 tax supported gross operating budget is \$441.9 million, and the 2026 plan is forecasted at \$463.9 million.
- The proposed property tax increase for the 2025 Budget is 3.0 percent.
- The proposed total 2025 water, wastewater, and stormwater operating budget is \$206.9 million, and the 2026 plan is forecasted at \$214.0 million.
- The combined 2025 rate increase for water and wastewater is \$0.1720 per cubic meter, or 3.3 percent over the 2024 combined rate.
- The average stormwater charge increase is 9.5 percent.
- The 2025 Budget for the City of Vaughan includes the addition of 74.2 net new FTEs.
- The proposed 2025 capital budget is \$424.7 million, and the 2026 Capital Plan is forecasted at \$249.5 million.

Recommendations

1. That the consolidated City of Vaughan's proposed 2025 Budget and 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 the Water By-Law be amended to replace references to "Schedule "A" throughout with references to the "Fees and Charges By-law", and that the necessary amending by-law be enacted.

Background

The Financial Sustainability Guiding Principles direct 2025 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 the continuance of existing capital projects and new transformation initiatives that will yield significant impacts to residents and businesses of the City of Vaughan. It was also developed factoring fiscal indicators such as, (a) the continuing impacts of higher costs despite recent curtailing of the Consumer Price Index (CPI); (b) interest rates that remain higher than pre-pandemic levels despite recent cuts issued by the Bank of Canada; along with (c) 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:

- Mayor Updates and Strategic Directions – January-December 2024
- Strategic Business Planning – January-April 2024
- Budget Kick-Off – May 2024
- City-Wide Budget Development – June-July 2024
- Departmental Budget Submissions – July 2024
- Budget Consolidation and Playback – August 2024
- Budget Reviews and Prioritization – September-October 2024
- Budget Book Development and Completion – October-November 2024
- Mayor tables the 2025 Budget – November 2024
- Public Budget reviews and Budget Adoption – November – December 2024

Previous Reports/Authority

[Proposed 2024 Budget and 2025 - 2026 Financial Plan](#), Item 1, Report No. 51 of the Special Committee of the Whole (Budget), December 12, 2023

[City of Vaughan Long-Range Fiscal Plan](#), Item 2, Report No. 45 of the Committee of the Whole (Working Session), December 13, 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 2025 Budget and 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 2025 Budget was to deliver on these priorities in a fiscally challenging environment while facing the ongoing impact of pandemic-era inflation increases, interest rates that remain higher than pre-pandemic levels, 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 2025 Budget and 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 2025 includes \$441.9 million in gross expenditures, \$185.2 million in non-tax revenues, and 74.2 net new FTEs.
 - o Total incremental increase of \$10.8 million in net expenditures.
 - o Assessment growth forecast for 2025 is 1.5 percent, or \$3.6 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 2026 is \$463.9 million.
- The proposed water, wastewater and stormwater rate supported operating budget for 2025 includes \$206.9 million in revenues, \$183.7 million in expenditures, and no new FTEs:
 - o The combined 2025 rate increase for water and wastewater is \$0.1720 per cubic meter, or 3.3 percent over the 2024 combined water and wastewater rate.
 - o The stormwater average charge increase is 9.5 percent.
 - o Total forecasted 2025 contributions to the water, wastewater, and stormwater reserves of \$23.2 million.
 - o The water, wastewater and stormwater rate supported operating plan for 2026 is \$214.0 million.
- The proposed 2025 capital budget is \$424.7 million, and the 2026 Capital Plan is forecasted at \$249.5 million.

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 Communications, Marketing and Engagement department to help ensure Vaughan residents have opportunities to provide feedback and learn about the budget. The communication plan for the 2025 budget meetings includes a mix of print and online ads, digital signage, and both paid and organic social media content, among other campaigns, 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 Dec. 4, 2024 at 7pm, and Dec. 17, 2024, at 8 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 **#VaughanBudget2025**
- 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 2025 Budget and 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

The City of Vaughan is proud to receive the 2024 Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) for the 16th consecutive year. Each year staff strive to present clear and easy-to-understand content and enhance the transparency and usability of the budget book. The 2025 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 GFOA, as well as mandatory requirements for the Distinguished Budget Presentation Award. The 2025 budget book continues to build on the award-winning format for ease of navigation and transparency.

The proposed 2025 Budget and 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 2025 including additional resource requests. The budget book also provides 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 2025 Budget and 2026 Financial Plan align with Council-prioritized service levels to ensure the City maintains modest tax rate increases.

Infrastructure Funding Gap

The City of Vaughan continues to utilize the Long-Range Fiscal Plan (LRFP) to inform the 2025 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 necessary to keep these findings in the forefront as continuing the current tax levels may deepen the forecasted infrastructure funding gap, deplete contribution to reserves for future replacement and repair of assets, and increase the likelihood of substantial tax rate increases in the future.

A dedicated Infrastructure Levy is utilized by many municipalities in Ontario and could be a viable option for the City of Vaughan to help address the forecasted infrastructure gap at some point in the future. The benefits of an Infrastructure Levy continue to be reiterated alongside the incorporation of several recommended strategies from the LFRP to alleviate pressures in the development of the 2025 Budget, such as: optimizing available funding sources, re-assessing service levels, and managing the timing and scope of capital projects. In addition, debt financing strategies have been implemented considering the thresholds established by internal and provincial policies, as well as the longer-term repayment implications from interest rates volatility over time.

Financial Impact

The proposed property tax increase for the 2025 budget is 3.0 percent, or \$7.2 million

The proposed 2025 tax-supported operating budget requirement is \$247.6 million after adjusting for assessment growth of \$3.6 million, representing a net tax levy increase of \$7.2 million, or 3.0 percent from the 2024 operating budget.

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

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

\$M	2023 Year-End Actuals	2024 Approved Budget	2025 Proposed Budget	2026 Plan
Gross Operating	373.9	377.4	441.9	463.9
Less: Non-Tax Revenue	139.1	131.9	185.2	195.9
Net Operating	234.9	245.5	256.6	268.0
Payment In Lieu of Taxes	2.3	2.4	2.4	2.4
Supplemental Tax	3.0	2.7	3.0	3.0
Net Levy	229.5	240.4	251.2	262.6
Incremental Levy Requirement	9.8	10.4	10.8	11.3
Revenue from Assessment Growth	3.4	3.5	3.6	3.8
Revenue from Incremental Tax Rate	6.4	6.9	7.2	7.5
Incremental Tax Rate	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)	2023 Year-End Actuals	2024 Approved Budget	2025 Proposed Budget	2026 Plan
Public Works	65.1	66.2	100.7	102.1
Vaughan Fire & Rescue Service	60.1	61.2	63.7	66.2
Infrastructure Development	41.8	44.8	49.7	51.4
Community Services	35.2	40.4	46.3	47.5
Planning & Growth Management	22.6	28.5	30.8	31.1
Corporate Services & CFO	30.6	32.2	34.8	36.2
Legal & Administrative Services	23.3	24.5	26.5	27.3
Communications & Economic Development	7.6	8.8	9.4	9.8
Other Offices	9.0	10.1	10.8	11.2
Vaughan Public Libraries	22.0	23.3	26.0	27.1
Financial & Non-Program Items*	56.5	37.5	43.3	54.1
Total Tax Supported Gross Expenditures	373.9	377.4	441.9	463.9
Add: Water, Wastewater and Stormwater	193.9	200.9	206.9	214.0
Total Tax and Rate Supported Gross Expenditures	567.8	578.3	648.8	677.9

Budget information presented above is based on the prior organizational structure. Budgets will be re-stated in 2025 on a cost-neutral basis to reflect the new organizational structure as of November 14, 2024

* 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 2025 budgeted rates will generate net total reserve contributions of \$23.2 million to fund water, wastewater, and stormwater-related programs and services.

The combined City of Vaughan 2025 rate increase for water and wastewater is \$0.1720 per cubic meter, or 3.3 percent, over the 2024 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 the water and wastewater reserves in the amount of \$17.7 million.

Based on the proposed rate increase for water and wastewater, the impact to the ratepayer that consumes 240 cubic meters per year will be \$41.28 annually or \$3.44 per month.

The 2025 stormwater charge will increase by an average of 9.5 percent over the 2024 charge, with an expected contribution of \$5.5 million to the reserve. The impact to a detached home will be an annual increase of \$3.53. The stormwater reserve is experiencing significant pressure and is anticipated to be in a negative position within the next three years. Increases in charges must continue in future years to build

stormwater reserves to meet future infrastructure funding needs. The City is undergoing a Stormwater Rate Study to determine future stormwater charge requirements.

The Water By-Law includes a fee schedule that is now captured in the Fees and Charges By-law. In order to avoid duplicating administration, Staff recommend removing Schedule “A” to the Water By-law and instead refer to the Fees and Charges By-law, as amended.

The proposed 2025 Budget includes capital investments of \$424.7 million and forecast investments of \$249.5 million for the 2026 plan

The proposed 2025 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 2025 budget includes investments of \$105.5 million for 80 new capital projects and \$319.1 million investment in 161 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)	2024 Budget	2025 Proposed Budget	2026 Plan	2025 - 2026 Total	2025 - 2026 Number of Projects
Term of Council Priorities					
Transportation and Mobility	70.5	219.7	107.7	327.4	65
City Building	77.6	149.1	94.4	243.5	104
Environmental Sustainability	20.2	16.2	23.7	39.9	45
Active, Engaged and Inclusive Communities	8.3	8.7	6.6	15.3	12
Community Safety and Well-being	6.5	16.8	3	19.8	27
Economic Prosperity and Job Creation	0.6	0.1	0.2	0.3	1
Service Excellence and Accountability	32.7	14	13.9	27.9	98
Total New Capital Budget Asks	216.5	424.7	249.5	674.2	352

Note: numbers may not add up due to rounding

Operational Impact

The proposed 2025 Budget and 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 2025 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 2025, representing 77 percent of the City’s combined water and wastewater costs.

Conclusion

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

2. Proposed User Fees/Service Charges

Attachment 1 and the associated items have been posted online and a hard copy of each attachment is on file in the Office of the City Clerk. They can be found by clicking on this [link](#).

SIGNATURE



Steven Del Duca
Mayor