

Committee of the Whole (2) Report

DATE: Tuesday, November 7, 2023

WARD(S): ALL

TITLE: COUNCILLOR DISCRETIONARY BUDGET

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

ACTION: DECISION

Purpose

To report on Members of Council's discretionary budgets as requested during the Committee Working Session on [January 18, 2023, Item 2, Report No. 1](#), and seek approval to adopt a change to the allocation methodology.

Report Highlights

- Until 2022, discretionary budgets included costs for part-time staff and non-labour and were guided by an allocation formula based on estimated population and number of businesses, and Consumer Price Index (CPI).
- The 2023 discretionary budgets, which included an additional Regional Councillor were calculated based on prior year budgets plus 3% inflation.
- In 2023, budgets and FTEs for Council support staff were transferred from Office of the City Clerk to the offices of each respective Member of Council to provide more flexibility in the staff composition of their offices.
- The current allocation methodology has been reviewed and three options to allocate Council non-labour discretionary budgets are identified for consideration beginning in 2024.
- These options will simplify allocations and provide flexibility to accommodate potential changes to Council, ward boundaries, and population in each ward.

Recommendations

1. That Council approve the recommended Option 3 methodology for allocating non-labour discretionary budgets for Members of Council beginning in 2024.

Background

Each Member of Council receives an annual budget to allow Councillors to administer their offices, represent the City at functions or events, and serve their constituents. These budgets include discretionary expenditures such as community engagement activities, newsletters, part-time labour and related benefits.

Council Discretionary Budgets – 2022 and Prior

Up to fiscal year 2022, discretionary budgets for Members of Council, which included part-time staff and non-labour costs, were guided by an allocation formula approved through a Council report in 2012. The formula consists of the following factors:

- estimated population by ward and total in the City of Vaughan;
- estimated number of businesses by ward and total in the City of Vaughan;
- Consumer Price Index (CPI) for Ontario;
- applied rate per resident; and
- applied rate per business.

The total population and total number of businesses are allocated across the Council position categories in these percentages:

- Mayor, 50%;
- Regional Councillors, 34% each;
- Local Councillors, 100% of the respective population and number of businesses of each ward.

The Mayor was only allocated 50% of the total population and number of businesses to reflect a reasonable limit for discretionary expenditures. Up to 2022, there were three Regional Councillors, therefore each position received approximately one-third allocation of the total population and total number of businesses.

The following formulas were used to determine the discretionary budget for each Member of Council:

Mayor:

Total Discretionary Budget = [(50% of the total population) x (applied rate per resident x CPI)] + [(50% of total number of businesses) x (applied rate per business x CPI)]

Regional Councillors:

Total Discretionary Budget = [(34% of the total population) x (applied rate per resident x CPI)] + [(34% of the total number of businesses) x (applied rate per business x CPI)]

Local Councillors:

Total Discretionary Budget = [(100% of the population in their ward) x (applied rate per resident x CPI)] + [(100% of number of businesses in their ward) x (applied rate per business x CPI)]

It is important to note that calculations based on the above factors were used as a guide for reasonability of discretionary budgets and did not necessarily correspond with the budgets adopted by Council.

2023 Council Discretionary Budget

In the absence of forecasts for both population and the number of businesses in Vaughan, the 2023 discretionary budgets were developed based on prior year (2022) budgets plus 3% inflation. In 2023, a fourth Regional Councillor was added to provide residents of Vaughan with more equitable representation at the Region. The total budget allocated to the new Regional Councillor including discretionary expenditures mirrored that of the other Regional Councillors.

Council Administrative Support Review

Prior to 2023, budgets for full-time support for each Member of Council resided in the Office of the City Clerk, and budgets for part-time support staff resided in the respective Member of Council's office budget.

In 2022, Council requested staff to review the structure of Council support staff and identify options to provide them with more flexibility and discretion in the staff composition of their respective offices. In the report entitled "Council Administrative Support Review," the offices of the City Clerk and the Chief Human Resources Officer proposed a selection of options for staffing Council administrative support. The options approved by Council on [January 24, 2023, Item 1 Report No. 4](#) included:

- Transferring funding and FTEs for all Council administrative support staff from Office of the City Clerk to Member of Council office budgets, and
- Replacing the existing common structure of Council administrative support staff with a set of staff complement options at the discretion of each Council Member.

As a result, the 2023 discretionary budgets for Council now include administrative support staff, part-time staff and non-labour costs. Each member of Council can organize their offices to match their requirements within their total discretionary budgets.

The only non-discretionary budget item is Councillor remuneration.

Previous Reports/Authority

[Council Expenditure Budgets, Item 4, Finance Report No. 1 – January 31, 2012](#)

Analysis and Options

The items adopted from the Council Administrative Support Review necessitated changes to the allocation formula for determining discretionary budgets. As mentioned above, Council discretionary budgets prior to 2023 included part-time labour and non-labour costs. Because each Member of Council now has discretion to their overall labour (full-time and part-time) and non-labour costs, the formula used in 2022 and prior is no longer applicable and practical for the new structure of Council discretionary budgets.

The addition of a fourth Regional Councillor also highlighted the shortcomings of the formula used in 2022 and prior, which if applied would have resulted in a lower allocation of population and businesses from 34% to 25% for each Regional Councillor and a significant decrease to their discretionary budgets.

Discretionary budgets for labour (full-time and part-time) will be determined by the staff complement of each office (position and corresponding pay grade in the City of Vaughan's prevailing salary grid) and increased annually for cost-of-living adjustment (COLA). COLA applied will be consistent with non-union employees of the City.

For non-labour costs, staff identified and assessed three options for determining the discretionary budgets beginning in 2024. These options simplify the calculations, provide flexibility to accommodate changes to Council composition and their budgets (labour vs. non-labour) and provide an equitable allocation to all members.

Consumer Price Index (CPI) was not considered in any of the options because CPI fluctuates throughout the year. There are also different CPI rates for different jurisdictions (e.g., Toronto, Ontario, Canada) and during years of high inflation, it may not be practical or prudent to increase discretionary budgets greater than the city-wide tax rate increase.

Option 1: Adjust the prior year discretionary budgets by the property tax rate increase.

Pros:

- Simple and easy to administer;

- Budgets for all Members of Council increase at the same rate;
- Increase in budgets does not exceed tax rate increase; and
- Flexible to accommodate potential changes in Council composition (e.g., additional Councillor) and ward boundaries.

Cons:

- Does not account for change in ward populations, and over time, could result in inequities between wards.

Option 2: Adjust the prior year discretionary budgets by the estimated growth/change in population for the budget year (Mayor and Regional Councillors – total city growth; Local Councillors – growth in their respective wards).

Pros:

- Changes in budgets reflect changes in population for the city as a whole and in each ward; and
- Flexible to accommodate potential changes in Council composition (e.g. additional Councillor) and ward boundaries.

Cons:

- Population forecasts are estimates, can vary depending on the source, are not updated annually and can result in inaccurate changes to the budget;
- Could result in a year over year decrease to budgets if the population is forecast to decline in the city as a whole or in certain wards (or if one or more wards split due to a ward boundary review); and
- More complex to administer.

Option 3: Hybrid of Options 1 and 2 - Adjust the prior year budgets by the increase in property tax rate for the budget year for all Members of Council, adjusting for actual rate of change in population in the census surveys (every 5 years).

Pros:

- Same as all the Pros in Option 1; and
- Adjusts for changes in population to correspond with the census survey (every 5 years).

Cons:

- Potential impact by Ward boundary reviews.

Recommended Option Beginning in 2024

Option 3 is recommended for the following reasons:

- Provides an optimal balance of simplicity and flexibility with equitable treatment to the discretionary budgets of each Member of Council;
- Can accommodate changes to Council composition such as, additional Councillors and change in ward boundaries;
- Provides stability to budgets so that Councillors can plan their expenditures; and
- Maintains the correlation between Vaughan's population and the budgets for the Councillors:
 - Although budgets are only adjusted for changes in population every five years to correspond with the Census Survey, differences are immaterial based on the average size of non-labour budgets.
 - The next Census Survey to be conducted by Statistics Canada will be in 2026.

Under this option, the total 2024 non-labour discretionary budget for all Members of Council would be \$479,038, an increase of \$13,953 assuming a tax rate increase of 3% from the 2023 budget. Final allocations will be determined by the tax rate increase for 2024 adopted by the Mayor and Council.

Financial Impact

Changes to salaries and benefits for Council administrative support staff (the labour-related discretionary budgets) will be determined by the City of Vaughan's prevailing salary grid and the cost-of-living adjustment (COLA) for non-union employees.

The financial impact of the recommended Option 3 for allocating discretionary non-labour expenditures for Members of Council will be based on the tax rate increase for 2024 adopted by Council in the 2024 Budget.

These increases will be included in the 2024 Budget for the Mayor and Council to consider during the 2024 Budget deliberations.

Operational Impact

The discretionary budgets for Members of Council expanded with the transfer of funding and FTEs for all Council administrative support staff from the Office of the City Clerk. Members of Council now have discretion for the staff composition of their offices and non-labour costs within their overall expenditure budgets. Hiring practices, including compensation will continue to be guided by Human Resource policies and spending on non-labour costs by the Council Member Expense Policy. This policy has been updated

for Council consideration in the fall of 2023. Transfers of funding between labour and non-labour can be requested and submitted during the annual budget process.

Broader Regional Impacts/Considerations

This report addresses the local component of the discretionary budgets of the Mayor, Regional and Local Councillors. Any Regional costs or remuneration for Mayor and Regional Councillors is the responsibility of The Regional Municipality of York.

Conclusion

Adopted changes to the structure of Council Office budgets from the Council Administrative Support Review made the previous method of calculating discretionary budgets obsolete. The recommended methodology for allocating Council non-labour discretionary budgets for 2024 and onward will be guided by tax rate increases as well as each Member of Council's responsibility towards the residents of Vaughan. It allows the City to be nimble by providing the flexibility to respond to changes in Council composition and ward boundaries and reducing the administrative burdens on Council and staff in administering budgets.

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Attachments

None

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