

Special Committee of the Whole (Budget) Report

DATE: Monday, December 02, 2019

WARD(S): ALL

TITLE: DRAFT 2020 BUDGET AND 2021-2022 FINANCIAL PLAN

FROM:

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

ACTION: DECISION

Purpose

To present the Committee of the Whole with the Draft 2020 Budget and 2021-2022 Financial Plan, the corresponding tax adjustments, and the water and wastewater rates and stormwater charge increases that would allow the City to continue providing a wide range of services and infrastructure to Vaughan households and businesses.

Report Highlights

- The Draft 2020 Budget and 2021-2022 Financial Plan focuses on investments in transformational city-building and priorities in the 2018-2022 Term of Council Service Excellence Strategic Plan.
- Staff have begun a formal review of all services and programs through a more robust approach to business planning.
- The 2020 Budget is committed to maintaining current service levels as staff continue to monitor external pressures such as Provincial legislation.
- Approximately 28 cents of every tax dollar fund all City services including Vaughan Fire and Rescue Services and Vaughan Public Libraries.
- The proposed property tax levy for 2020 is 2.85 per cent, an increase on average of \$49 annually or \$4.08 per month for an average residential property assessed at \$891,000.

- The property tax supported operating budget for 2020 is approximately \$320 million in gross expenditures. The proposed water and wastewater rate and the stormwater charge supported operating budget for 2020 is approximately \$195 million in gross expenditures. The combined 2020 rate increase for water and wastewater is \$0.4112 per cubic metre, or 9.0 per cent over the 2019 combined water and wastewater rate.
- The primary drivers of Vaughan's rate increases are water purchases and wastewater treatment costs from York Region which account for more than 75 per cent of the City's costs.
- The draft 2020 capital budget amounts to approximately \$173 million and the 2021-2022 capital plan is forecasted at a total of approximately \$467 million.

Recommendations

1. That the presentation on the Draft 2020 Budget and 2021-2022 Financial Plan (the "2020 Budget Book") be received;
2. That the 2020 tax supported operating budget with budgeted operating gross expenditures of \$320 million and budgeted revenues of \$320 million be approved;
3. That the 2020 water and wastewater rates and stormwater charges supported operating budget (collectively the "Rate Budgets") with budgeted operating gross expenditures of \$195 million and budgeted revenues of \$195 million be approved;
4. That the establishment of a state of good repair reserve for unplanned / emergency repairs for each of the water, wastewater and stormwater programs be approved;
5. That the list of 2020 capital projects, together with their total costs in the amount of \$173 million, summarized in Volumes 1 and 2 and detailed in Volume 3 of the 2020 Budget Book, be approved subject to annual capital funding;
6. That the list of 2021-2022 capital projects together with their total costs, outlined in Volume 3 of the 2020 Budget Book, be recognized;
7. That the draft 2020 operating and capital spending authority be approved, and the 2021-2022 plan be recognized as outlined in the 2020 Budget Book Volumes 1, 2 and 3;
8. That for user fees and service charges:
 - a. the schedules outlined in Volume 3 of the 2020 Budget Book be approved;
 - b. the necessary by-laws become effective when approved by Council;
 - c. the water and wastewater rate changes be effective April 1, 2020; and
 - d. the Treasurer be authorized to revise Harmonized Sales Tax (HST) applicability for user fees and service charges as required by legislation; and
9. That this matter and any comments received be referred to the next Committee of the Whole meeting to continue deliberations.

Background

The Citizen Satisfaction Survey shows that residents are happy with the programs and services provided by the City

The City of Vaughan's budget process is guided by the values of integrity, accountability and responsibility, and is rooted in the 2018-2022 Term of Council Service Excellence Strategic Plan.

Since 2007, the City of Vaughan has conducted Citizen Satisfaction Surveys to gather input from residents on the quality of life in Vaughan, the overall delivery of City services and the management of tax dollars. The City values the feedback and opinions of its residents so that it can build on its success and further improve on what matters most to citizens.

Findings from the 2018 Citizen Satisfaction Survey indicate that 97 per cent of respondents felt the quality of life in the City was very good or good. In addition, 91 per cent of respondents indicated that they were very satisfied or satisfied with the delivery of all services provided by the City. Furthermore, the proportion of respondents who believe they receive good value for their tax dollars was approximately 82 per cent.

The communication plan encourages citizens to be informed and involved in the City's budget

The City of Vaughan 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 to support the budget and to help ensure Vaughan residents have opportunities to provide feedback and learn about the budget. The plan consists of a mix of communication channels including print, online and in person to ensure all residents can be informed and involved in their preferred format. Communication tactics include:

- Print material (flyers and posters) distributed to community centres, libraries, seniors' groups, ratepayer associations
- Newspaper advertisements, including meeting dates, times and topics to be covered
- Media outreach
- Public meetings that are also streamed online
- Enhanced web content
- Online feedback form and telephone hotline

- Vaughan City Hall and community centre televisions and outdoor digital signs to post budget meeting information
- Social media content, including paid advertisements

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

Public outreach on the budget process occurs year-round

Outreach on the budget process is a year-round activity for the administration. In 2019, Finance staff continued community engagement initiative by having a Financial Sustainability booth at the City's Winterfest and Canada Day events. Staff engaged the public through priority-setting scenarios, surveys on value for services and general education/discussions on the financial and infrastructure issues within the city. Staff intend to continue with this initiative in 2020.

Continuous improvements to enhance Budget Book usability

Each year staff strive to make improvements to present clear and easy-to-understand content in the Budget Book to help enhance its usability. This effort has been recognized as a "Best In Class" by the Government Finance Officers Association Distinguished Budget Presentation Award. This year, the Budget Book continues to utilize a layout that is divided into three volumes for ease of navigation.

The Draft 2020 Budget outlined in the attached 2020 Budget Book sets out staffs' recommended operating allocations to deliver the City's programs and services over the next year including additional resource requests. It also provides information about major transformational city-building initiatives that are underway, recommends new capital projects and forecasts for the City's obligatory and discretionary reserves. Investments in the Service Excellence Strategic Priorities proposed in the 2020 Budget Book will help achieve efficiencies to ensure we can continue maintaining modest tax rate increases that are aligned with Council priorities.

Previous Reports/Authority

[2019 Budget, Special Council \(Budget\) Meeting Minutes, Feb. 20, 2019](#)

[2017 Fiscal Framework](#)

Analysis and Options

The Draft 2020 Budget includes investments in transformational city-building and Service Excellence Strategic Priorities

The Draft 2020 Budget and 2021-2022 Financial Plan supports the City's vision of being a 'City of Choice' by including investments in transformational city-building and Term of Council/Service Excellence Strategic Priorities. The City is committed to continuing to provide value to its citizens by improving the citizen experience, managing growth and delivering services more effectively and efficiently, including identifying opportunities to use technology and apply digital strategies. The City continues to minimize the impact of tax, water, wastewater and stormwater rates and charge increases on Vaughan's residents and businesses, while striving toward long-term financial sustainability and ensuring that growth pays for growth to the fullest extent possible.

Financial Sustainability is always a key priority for the City

In 2017, City Council approved a new Fiscal Framework through the Financial Sustainability Service Excellence initiative. This framework included guiding principles to inform staff and Council on decision-making related to financial matters. In alignment with the guiding principles, the objective of the City's financial planning process is to develop a multi-year budget that balances the need to maintain existing services, accommodate growth requirements, undertake corporate initiatives and safeguard water resources against the City's capacity to fund them. The City's financial management policies and practices are based on legislation and best practices to maintain the City's strong financial position. The Draft 2020 Budget and 2021-2022 Financial Plan reflects these principles.

Financial Impact

Property tax levy increase is proposed at 2.85 per cent for 2020

The proposed 2020 property tax supported operating budget includes gross expenditures of \$320.3 million, which includes a property tax increase of 2.85 per cent. For an average residential property assessed at \$891,000, this represents an increase of approximately \$49 annually or \$4.08 per month. The draft 2020 property tax supported operating budget can be summarized as follows:

Table 1: Draft 2020 Property Tax Supported Operating Budget

\$M	2019 Approved	2020 Proposed Budget
Gross Operating	310.3	320.3
Less: Non-Tax Revenue	103.9	104.7
Net Operating	206.4	215.7
Assessment Growth	3.3	3.5
Supplemental Taxation and PIL	5.8	5.8
Net Levy Requirement	197.4	206.4
Incremental Levy Requirement	5.7	5.7
Incremental Tax Rate	3.00%	2.85%

Note: Some numbers may not add up due to rounding

Property tax supported and rate budgets tabled together

The 2018-2022 Term of Council Service Excellence Strategic Plan reinforces the City of Vaughan's mission, vision and values, representing the core of how the administration will deliver on Council's priorities through Service Excellence. The Strategic Plan identifies the strategic priorities and has guided the Draft 2020 Budget and 2021-2022 operating and capital plan.

The administration will need to continue to find ways to leverage leading practices and innovation to help drive efficiencies and address rising costs in order to achieve this objective.

The following table presents the 2020 proposed budget and 2021-2022 forecasted gross operating expenditures by Portfolio/Office.

Table 2: Gross Expenditures by Portfolio/Office

\$ M	2019	2020	2021	2022
	Approved Budget	Proposed Budget	Plan	Plan
Community Services				
Fire and Rescue Service	51.7	53.1	55.6	57.9
Recreation and Other Community Services	41.5	43.3	44.4	45.6
	93.2	96.4	100.1	103.5
Public Works	235.8	251.2	263.2	272.6
Planning and Growth Management	26.6	28.8	29.3	29.8
Administrative Services & City Solicitor	16.0	17.3	18.7	19.1
Infrastructure Development	24.5	24.0	24.4	24.6
Corporate Services & Chief Financial Officer	28.4	29.5	30.3	31.2
Vaughan Public Libraries	19.5	20.8	21.6	22.3
Other Offices	46.4	47.5	49.6	51.7
Combined Tax and User Rate Gross Expenditures	490.3	515.5	537.2	554.9
Less: Water, Wastewater and Stormwater	180.0	195.2	205.9	213.9
Tax Rate Gross Expenditures	310.3	320.3	331.3	341.0

Note: The above table re-states 2019 figures to reflect the corporate reorganization effective July 1, 2019. Some numbers may not add up due to rounding.

Water, wastewater and stormwater operating budget

Safe drinking water, effective wastewater collection and stormwater management are cornerstones of a sustainable and healthy community. The 2020 Water, Wastewater and Stormwater draft budgets and rates provide funds to support the related City services by moving toward financial sustainability in accordance with the Safe Drinking Water Act, Ontario Water Resources Act and Environmental Protection Act.

Continued investment in infrastructure renewal is critical to ensure water, wastewater and stormwater services are sustainable in the future. This objective is supported by continuing to build City reserves. The combined draft rate increase for water and wastewater is 9.0 per cent which covers a 9.0 per cent rate increase from the Region of York; this accounts for 75.5 per cent of the City's expenses. The 2020 draft water and wastewater rates will generate a combined net contribution of \$22.0 million to reserves thus continuing the City's move towards long-term financial sustainability of the City's water and wastewater system and services. The state of good repair reserves for the water, wastewater and stormwater programs will be funded from unspent, unplanned/emergency accounts on an annual basis. Draws from the state of good repair reserves will be used to pay for future unplanned/emergency works on an as needed basis.

Based on the draft rate increase for water and wastewater, the impact to the ratepayer that consumes 260 cubic metres will be approximately \$106.91 annually or \$8.91 per month.

The 2020 stormwater charge will remain the same as the 2019 charge, which includes a \$1.7 million reserve contribution. Planned charge increases must continue in future years to build stormwater reserves to meet future infrastructure needs.

The Draft 2020 Budget includes capital investments of approximately \$173 million and the 2021-2022 capital plan is forecasted at approximately \$467 million

The 2020 proposed capital projects reflect investments that support Council priorities, infrastructure renewal requirements and Service Excellence Strategic 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.

Proposed capital projects are to support Council priorities. The following table highlights the alignment of capital investments to Council priorities and the City's commitment to Service Excellence.

Table 3: Capital Investments Aligning with Strategic Priorities

(\$M)	# of Projects	2020 Budget	2021-2022 Plan	Total
Term of Council Strategic Priorities	290	145.6	393.0	538.5
Transportation and Mobility	82	62.4	189.8	252.2
City Building	80	27.6	100.2	127.8
Environmental Stewardship	25	26.9	55.0	81.9
Active, Safe and Diverse Communities	86	22.6	46.4	69.0
Good Governance	15	4.2	1.6	5.7
Economic Prosperity, Investment and Social Capital	2	1.9	0.0	1.9
Service Excellence Strategic Priorities	195	27.1	74.2	101.2
Citizen Experience	55	8.6	34.9	43.5
Operational Performance	136	18.3	38.8	57.0
Staff Engagement	4	0.2	0.5	0.7
Total New Capital Investments	485	172.6	467.2	639.7

Note: Some numbers may not add up due to rounding.

Broader Regional Impacts/Considerations

The Water and Wastewater Rate Budgets include wholesale water and wastewater program purchases from the Region of York for 2020 representing 75.5 per cent of the City's combined water and wastewater costs.

The residential and business tax bills include levies from the City of Vaughan, the Region of York and the Province. The proposed tax levy increase presented in the 2020 Budget Book is for the City's share, which is approximately 28 per cent of a residential tax bill based on the average assessment value of \$891,000. This means 28 cents of every dollar fund all City services including Vaughan Fire and Rescue Service and Vaughan Public Libraries. The Region's budget is expected to be approved by York Regional Council on Dec. 19, 2019.

Conclusion

The Draft 2020 Budget and 2021-2022 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.

For more information, please contact:

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Attachments

1. Draft 2020 Budget Book:
 - a. Draft 2020 Budget and 2021-2022 Financial Plan Volume 1 – Budget Overview
 - b. Draft 2020 Budget and 2021-2022 Financial Plan Volume 2 – Department Budgets
 - c. Draft 2020 Budget and 2021-2022 Financial Plan Volume 3 – Appendices and Proposed User Fees/Service Charges

Attachments 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](#).

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