Special Committee of the Whole (Budget)

DATE: Tuesday, December 08, 2020 **WARD(S):** ALL

TITLE: DRAFT 2021 BUDGET AND 2022 FINANCIAL PLAN (REFERRED)

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

ACTION: DECISION

Purpose

To forward recommendations from the Special Committee of the Whole (Budget) meeting of December 2, 2020, with respect to the Draft 2021 Budget and 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 objective of the Draft 2021 Budget and 2022 Financial Plan is to provide a balance between investing in the community and maintaining financial sustainability while minimizing the tax and utility rate increases on Vaughan's residents and businesses.
- The proposed property tax supported operating budget for 2021 is $317.9 million in gross expenditures; this includes zero percent tax levy increase.
- The proposed water and wastewater and stormwater total operating budget for 2021 is $170.9 million in revenues. The combined 2021 rate increase for water and wastewater is $0.1325 per cubic meter, or 2.9 percent over the 2020 combined water and wastewater rate.
- The average stormwater charge increase is 4.5% to help maintain the stormwater reserve.
- The proposed 2021 capital budget amounts to $290.8 million and the 2022 capital plan is forecasted at $275.9 million.

Recommendations

The Special Committee of the Whole (Budget), at its meeting of December 2, 2020 recommended the following (Item 1, Report No. 60):

Recommendation of the Special Committee of the Whole (Budget) meeting of December 2, 2020:

1) That the report of the Deputy City Manager, Corporate Services and Chief Financial Officer dated December 2, 2020 be referred to the December 8, 2020 Special Committee of the Whole (Budget) meeting at 7:00 p.m. to continue deliberations;

2) That the presentation by the Deputy City Manager, Corporate Services and Chief Financial Officer, and C1, presentation material titled "*Proposed 2021 Budget and 2022 Financial Plan*", be received;

3) That appropriate staff be directed to bring forward within the present budgetary cycle a report on how the City might acquire original works of art:

   i. currently available for purchase in the art marketplace (i.e., not already within the public domain, as in the McMichael Canadian Collection); and
   ii. the subjects of which are the natural and built environments within the Township of Vaughan and the Village of Woodbridge, the Town of Vaughan and the City of Vaughan; and such report to include:

      1. How many items meeting the above criteria exhibit genuine artistic value;
      2. What the individual and collective purchase price might be; and
      3. Where the said artwork might best be exhibited;

4) That staff investigate ways and means of funding the repair/replacement of the skating rink at the Sports Village in order to include such repair/replacement in the 2022 Budget, and that a report come back in Q1 of 2021; and

5) That comments from the following speakers be received:

   1. Mr. Kevin Hanit, Queensbridge Drive, Concord;
   2. Mr. Richard Lorello, Treelawn Boulevard, Kleinburg; and
   3. Mr. Hiten Patel, Thornhill Woods Drive, Thornhill.

Recommendations and Report of the Deputy City Manager, Corporate Services and Chief Financial Officer, dated December 2, 2020:

1. That the consolidated City of Vaughan's proposed 2021 Budget and 2022 Financial Plan as attached in volumes 1, 2 and 3 be received and approved, including:
    a. Tax supported 2021 operating budget with gross expenditures of $317.9 million;
    b. Rate-supported water, wastewater and stormwater 2021 operating budget of $170.9 million;
    c. 2021 capital budget, including 396 projects of $290.8 million;
2. That the fee schedules as outlined in volume 3 be approved and be effective as of January 1, 2021;
3. That the 2021 water and wastewater rates come into effect from April 1, 2021;
4. That all necessary by-laws be enacted; and
5. That the Chief Financial Officer and City Treasurer be authorized to make any necessary in-year adjustments within the total approved 2021 operating and capital budgets, with no tax-levy impacts, to reflect organizational changes, reallocation of costs and capital project adjustments.

Background

The Financial Sustainability Guiding Principles direct 2021 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 rapid 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 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 2021 Budget and 2022 Financial Plan was developed with commitments to investing in the community's future, building on the citizen experience, and providing the most value to residents. It was also developed factoring the impacts of COVID-19, which has created unprecedented challenges for the provincial, national and global economies. The significant impacts to residents and businesses of the City of Vaughan is expected to continue in 2021. The City recognizes these challenges and continues to implement additional measures to support its residents and businesses during this difficult time. The objective is to provide a balance between investing in the community and maintaining financial sustainability while minimizing the tax and utility rate increases on Vaughan's residents and businesses.

The City's 2021 Budget and 2022 Financial Plan was developed over the past several months, with the timeline for budget development and approval as follows:

- Strategic Business Planning – January – April
- Budget Kick-Off and City-Wide Budget Development – May - June
- Departmental Budget Submissions – July – August
- City Manager Budget Reviews and Prioritization September – October
- Budget Directions Report to Council – November
- Special Committee of the Whole (Budget) reviews – December

Previous Reports/Authority

2020 Budget, Special Council (Budget), December 17, 2019
2017 Fiscal Framework

Analysis and Options

The proposed 2021 Budget and 2022 Financial Plan focuses on 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 2021 Budget was to deliver on these priorities in a fiscally challenging environment while facing uncertainties of COVID-19 impacts. 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 2021 Budget and 2022 Financial Plan reflects the City's on-going efforts to deliver cost effective programs and services to residents and businesses.

- The proposed property tax supported operating budget for 2021 includes $317.9 million in gross expenditures:

    - Zero percent increase to the net tax levy as approved by Council.

    - Forecast of assessment growth for 2021 is 1.45 percent representing approximately $3 million in additional tax revenue to the City to address growth-related cost pressures.
    - Decrease of $2.9 million from the Approved 2020 Budget due mainly to the net impacts of COVID-19 and mitigation measures included in the 2021 budget.

- The proposed water, wastewater and stormwater rate supported operating budget for 2021 includes $170.9 million in revenues and $159.6 million in expenditures:
    - The combined 2021 rate increase for water and wastewater is $0.1325 per cubic meter, or 2.9 percent over the 2020 combined water and wastewater rate.
    - An average stormwater rate increase of 4.5% is included to help maintain the stormwater reserve.
    - Total forecast 2021 contributions to the water, wastewater and stormwater reserves of $11.3 million.

- The draft 2021 Capital Budget is $290.8 million, and the 2022 capital plan is forecasted at $275.9 million.

Participatory Budgeting

Outreach on the budget process is a year-round activity for the administration. Community engagement continued in 2020, with Finance staff having a Financial Sustainability booth at the City's Winterfest event. 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 2021.

The City of Vaughan encourages citizens to be informed and involved in the City's budget and invites and encourages residents and local businesses to help shape Vaughan's promising future and build on its success.

A comprehensive multi-channel public communication plan has been developed with support from Corporate and Strategic Communications to help ensure Vaughan residents have opportunities to provide feedback and learn about the budget. The communication plan for the 2021 budget meetings includes a mix of print and online ads, digital signage and both paid and organic social media content, among other tactics, to ensure all residents can be informed and involved safely in their preferred format.

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

- Attend virtual public meetings live by tuning into vaughan.ca/**LiveCouncil** on Dec. 2, 8 and 15 at 7 p.m.

- Fill out the budget feedback form at vaughan.ca/**budget**
- Join the conversation on social media using #vaughanbudget2021
- 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 2021 Budget and 2022 Financial Plan, the City also shares information related to York Region's budget, such as York Region's budget meeting dates, through the Vaughan.ca/**budget** webpages. Relevant links to York Region budget information are also incorporated into City of Vaughan budget communication products.

Continuous Improvements to Enhance Budget Book Usability

Each year staff strive to present clear and easy-to-understand content and enhance the usability of the Budget Book. Continuous improvement efforts, like those made by City staff are recognized as "Best in Class" by the Government Finance Officers Association (GFOA). The City of Vaughan received the *Distinguished Budget Presentation Award* from the GFOA for the 12th year, for its 2020 Budget and 2021-2022 Financial Plan, recognizing application of best practices, transparency in budgeting and excelling as a policy document, financial plan, operations guide and communications tool. The 2021 Budget Book continues to build on the award-winning format of providing a three-volume layout for ease of navigation and transparency.

The proposed 2021 Budget and 2022 Financial Plan as presented and detailed in the attached 2021 Budget Books, outlines the staff recommended operating allocations to deliver the City's programs and services for 2021, including additional resource requests. The Budget Books also provide information on major transformational city-building initiatives that are underway, proposed new capital projects and forecasts for the City's obligatory and discretionary reserves. Investments in the Service Excellence Strategic Priorities proposed in the 2021 Budget and 2022 Financial Plan align with Council's priority to ensure the City maintains low to modest tax rate increases.

Financial Impact

Property tax levy increase is proposed at 0 percent for 2021

The proposed 2021 property tax supported operating budget includes gross expenditures of $317.9 million, representing no incremental property tax increase from the approved 2020 operating budget.

In 2021, the City will collect 27 cents of every dollar on the residential tax bill. The proposed 2021 tax supported operating budget is summarized as follows:

Table 1: Proposed 2021 Property Tax Supported Operating Budget

$M	2020 Approved Budget	2021 Proposed Budget	2022 Plan
Gross Operating	320.8	317.9	333.8
Less: Non-Tax Revenue	105.0	99.1	106.6
Net Operating	215.8	218.8	227.2
Supplemental Taxation and PIL	5.9	5.9	5.8
Net Levy	209.9	212.9	221.4
Incremental Levy Requirement	5.7	3.0	8.5
Assessment Growth	3.5	3.0	2.1
Incremental Tax Rate	**2.85%**	**0.00%**	**3.00%**

Note: Some numbers may not add up due to rounding

Table 2: Gross Expenditures by Portfolio/Office

$ M	2020 Approved Budget	2021 Proposed Budget	2022 Plan
Community Services			
Fire and Rescue Service	53.1	54.4	56.4
Recreation and Other Community Services	43.6	31.3	32.6
Total Community Services	96.7	85.7	89
Public Works	55.9	57.0	58.1
Planning and Growth Management	28.7	29.1	29.5
Administrative Services & City Solicitor	17.2	18.7	19
Infrastructure Development	24.1	32.0	32.3
Corporate Services & Chief Financial Officer	29.4	29.9	30.5
Vaughan Public Libraries	20.8	21.3	22.6
Corporate Governance	10.8	11.0	11.1
Contributions to Reserves and Debt Repayment	37.2	33.3	41.9
Total Tax Supported Gross Expenditures	**320.8**	**317.9**	**333.8**
Add: Water, Wastewater and Stormwater	**195.1**	**170.9**	**177.6**
Total Tax and Rate Supported Gross Expenditures	**515.9**	**488.8**	**511.4**

Note: 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. To achieve this, continued infrastructure investments are critical to ensure water, wastewater and stormwater systems are sustainable in the future. The 2021 budgeted rates and charge will generate net total reserve contributions of $11.3 million to fund water, wastewater and stormwater-related programs and services.

The combined City of Vaughan 2021 rate increase for water and wastewater is $0.1325 per cubic meter, or 2.9 percent, over the 2020, largely driven by the combined forecasted 2.9 percent increase that the City pays to York Region for wholesale water purchases. The combined rate increase will permit lifecycle contributions to the reserves. Should York Region's approved wholesale water and wastewater rates differ from the forecasted rates, a subsequent report will be required to reflect the new rates.

Based on the proposed rate increase for water and wastewater, the impact to the ratepayer that consumes 250 cubic meters per year will be approximately $33 annually or $2.76 per month.

The 2021 stormwater charge will increase by an average of 4.5 percent over the 2020 charge, with an expected contribution of $2.6 million to the reserve. Planned charge increases must continue in future years to build water, wastewater and stormwater reserves to meet future infrastructure needs.

The proposed 2021 Budget includes capital investments of $290.8 million and the 2022 capital plan is forecasted at $275.9 million

The 2021 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.

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

Table 3: Capital Investments Aligned with Strategic Priorities

($M)	# of Projects	2021 Budget Amount	2022 Planned Amount	Total
Term of Council Priorities				
Transportation and Mobility	76	86.7	155.4	242.0
City Building	52	105.6	15.6	121.3
Environmental Stewardship	25	48.5	36.8	85.3
Active, Safe and Diverse Communities	80	23.9	26.2	50.1
Good Governance	3	0.4	0.4	0.8
Economic Prosperity, Investment and Social Capital	1	0.2	0.0	0.2
Sub-total Term of Council Priorities	**237**	**265.3**	**234.4**	**499.6**
Service Excellence Strategic Initiatives				
Citizen Experience	52	9.2	20.9	30.0
Operational Performance	103	16.2	20.5	36.7
Staff Engagement	4	0.2	0.2	0.4
Sub-total Service Excellence Strategic Initiatives	**159**	**25.6**	**41.6**	**67.1**
Total New Capital Budget Asks	**396**	**290.8**	**275.9**	**566.8**

Numbers may not add due to rounding.

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 2021 Budget Book represents the City's share of the tax bill. For every dollar of property tax, 27 cents funds City services, including Vaughan Fire and Rescue Service and Vaughan Public Libraries. The Region's budget is expected to be approved by York Region Council in March 2021.

The Water and wastewater rate budgets include wholesale water and wastewater program purchases from York Region for 2021, representing 81 percent of the City's combined water and wastewater costs.

Conclusion

The proposed 2021 Budget and 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:
Michael Marchetti, Director of Financial Planning and Development Finance / Deputy Treasurer, ext. 8271
Dean Ferraro, Director of Financial Services / Deputy Treasurer, ext. 8272

Attachments

1. Draft 2021 Budget and 2022 Financial Plan:
   a) Draft 2021 Budget and 2022 Financial Plan Volume 1 – Budget Overview
   b) Draft 2021 Budget and 2022 Financial Plan Volume 2 – Department Budgets
   c) Draft 2021 Budget and 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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