CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 16, 2021

Item 2, Report No. 52, of the Committee of the Whole, which was adopted without amendment by the Council of the City of Vaughan on November 16, 2021.

2. **CITY OF VAUGHAN LONG RANGE FISCAL PLAN**

   The Committee of the Whole recommends:

   1. **That the recommendation contained in the following report of the Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer, dated November 9, 2021, be approved; and**

   2. **That the presentation by Christopher Balette and Craig Binning, Hemson Consulting Ltd., St. Patrick Street, Toronto, as set out in Attachment 1, entitled *"Project Overview and Update: Long Range Fiscal Plan and Forecast"*, dated November 9, 2021, be received.**

   Recommendations

   1. THAT Council receive the presentation from Hemson Consulting, providing a project overview and update on the City's long-range fiscal plan and forecast.

Committee of the Whole (2) Report

DATE: Tuesday, November 9, 2021   **WARD(S):** ALL

TITLE: CITY OF VAUGHAN LONG RANGE FISCAL PLAN

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

ACTION: FOR INFORMATION

Purpose
To provide an update on the progress and direction on the development of the City's Long-Range Fiscal Plan.

Report Highlights

- As part of the Council approved Long-Range Fiscal Plan capital project, the City has retained Hemson Consulting to help develop a financial planning model to support long-term fiscally sustainable decision making.

- Phase 1 of the model has been developed only for tax-supported operations and incorporates internal and external inputs to forecast the future financial position of the City over the next 20 years to 2041 (Phase 2 for Rate-Supported services will begin in 2022).

- In addition to incorporating 2022 Operating and Capital Budgets, the model will also include key inputs from core and non-core Asset Management Plans (AMP), the updated Development Charge Background Study (DCBS), and Community Benefits Charges (CBC) Strategy once they are finalized in 2022.

- The model does not replace the corporate budget process or system; it is a tool to assist with long-term financial planning and analysis.

- The final tax-supported Long-Range Fiscal Plan Report (LRFP) will be presented to Council in 2022.

Recommendations

1. THAT Council receive the presentation from Hemson Consulting, providing a project overview and update on the City's long-range fiscal plan and forecast.

Background

The LRFP comprises two key deliverables: a fiscal impact model and a long-range fiscal plan report.

The fiscal impact model is a centralized excel based model that contains key financial data to develop a long-term outlook (to 2041) for the City. Developing the model requires identification of overall capital and operating needs for the City based on growth forecasts from the Development Charge Background Study (DCBS), existing capital plans, the Asset Management Plan (AMP) and other master planning documents. Using this information, sensitivity testing on key fiscal measures such as reserve balances, debt levels, and tax levy increases is possible. The model will be used to create scenarios to analyze and develop a series of recommendations that will inform key directions and policy recommendations to be presented to Council.

The long-range fiscal plan report will focus on financial viability, management, flexibility, and sustainability, and identify risks, challenges, and opportunities for the City. Hemson's LRFP recommendations and model will be used to guide development of a long-term fiscal strategy and the City's operating and capital plans. The long-range fiscal model and plan are not intended to replace the corporate budget software, land use plan, master servicing plan, or asset management plans, but is to be used to support the City's long-term financial decisions.

Previous Reports/Authority

City of Vaughan's Financial Condition Assessment, Item 3, Report No. 54 of the Committee of the Whole, November 17, 2020

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 City's annual budget process continues to be comprehensive and always evolving. The LRFP is intended to complement the budget process by providing a long-term outlook.

Vaughan continues to experience strong population growth and development across the City.

- Census population has grown 18% since 2011
- Employment growth of 36% since 2011
- By 2041 the City is expected to grow to approximately 482,000 people and 304,000 employees.

As the City grows and its infrastructure ages, the LRFP cost outlook will identify fiscal pressures before they occur, allowing staff to proactively develop fiscal strategies to address the pressures. The LRFP will also identify changes required in financial policies to support the long-term fiscal sustainability of the City. The City's budget process continues to be wide-ranging and always evolving. The LRFP will complement the budget process by providing a long-term outlook.

The long-range financial model is a tool for analysis of multiple scenarios.

The long-range fiscal model will assess future capital requirements to support growth with expected DC revenues, infrastructure repair and replacements, the operating impacts of the new capital and cost of maintaining existing services to determine tax levy contributions to infrastructure reserves and debt financing requirements to deliver services over a 20-year period. External inputs critical to the fiscal model include: population, housing, demographic changes, and non-residential projections. Internal inputs include: capital forecasts, asset management plans, the development charge background study, and operating forecasts. The model allows for different assumptions of each input within financial parameters to perform sensitivity analysis with multiple scenarios to determine long-term tax levy requirements to support tax funded services.

The LRFP is a living document.

Considering key legislative changes in recent years, the City is undertaking a DC Study, Parkland Acquisition/CIL analysis, and Community Benefits Charge (CBC) Strategy, which will help inform both capital and revenue assumptions in the LRFP. Additionally, development of the City's AMPs are well underway to meet requirements of O. Reg. 588/17. As this information matures, the outputs of the LRFP also mature. Upon completion of these projects, inputs in the model will be updated to be used in the development of a Long-Range Fiscal Plan and Strategy. Hemson and City staff have determined this to be a reasonable approach to ensure the latest information available informs the fiscal plan moving forward. The City's financial health relative to its mandate, priorities, and infrastructure requirements can be assessed to develop a Long-Range Fiscal Plan and Strategy to ensure the City can continue to deliver on its mandate in a sustainable manner.

The LRFP provides key outputs for the City's consideration.

Table 1: LRFP Outputs

Output Name	Description
Operating	• Operating cost fiscal impacts associated to maintaining levels of service • As the City grows, how much do our expenditures increase by over a longer time-period?
Capital Contributions	• LRFP to develop scenarios of capital contribution levels based on findings of core and non-core asset management plans
Infrastructure Reserves	• Reserve levels can be forecasted given capital commitments • Are reserve levels adequate today and in the future to undertake City capital obligations?
Debt Levels	• Model has been developed to track City debt levels over a 20-year period • Monitor's debt levels relative to City 10% limit of own source revenues
Tax Levy	• Tax levy increases that may be needed to undertake both operating and capital obligations

Financial Impact

Costs associated with developing the Long-Range Fiscal Model are included within the approved Fiscal Framework capital budget.

Broader Regional Impacts/Considerations

There are no direct impacts to other governments/organizations that would result from this project.

Conclusion

As the City continues to grow and assets mature, the Long-Range Fiscal Plan and model is a strategic tool that will provide valuable information to support decisions, inform the annual budget process and ensure the long-term fiscal sustainability of Vaughan. City staff continue to work with Hemson Consulting to integrate updated information to develop preliminary forecasts and recommendations for tax-funded

services. Hemson is also collaborating with staff to develop plans for next steps and future phases of a fiscal model that incorporates rate-funded services.

For more information, please contact: Kelly Sutton, Sr. Financial Analyst, Financial Sustainability, ext. 8252, Kenneth Quan, Manager of Corporate Financial Planning and Analysis, ext. 8029, or Michael Marchetti, Director of, Financial Planning & Development Finance, ext. 8271.

Attachments

1. Long Range Fiscal Plan and Forecast: Project Overview and Update presentation by Hemson Consulting, November 9, 2021

Prepared by

Kelly Sutton, Sr. Financial Analyst, Financial Sustainability, ext. 8252

Approved by

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

Reviewed by

Nick Spensieri, City Manager

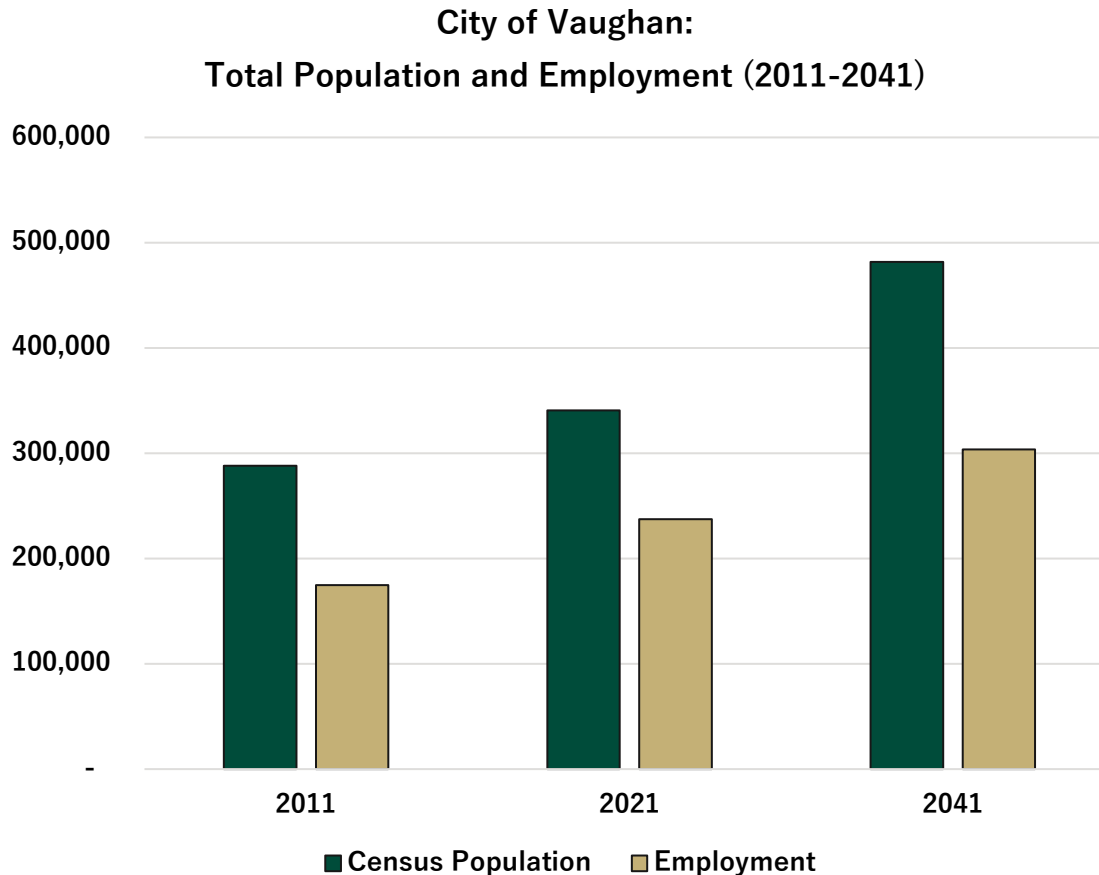**Project Overview and Update**

Long Range Fiscal Plan and Forecast

Topics for Discussion

- City Context and Key Deliverables

- Forecast Methodology

- Key Inputs and Outputs Being Considered

- Next Steps

- Project Timeline

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The City Continues to Grow

City of Vaughan:
Total Population and Employment (2011-2041)

Source: 2018 DC Study.

- Strong population growth and development across the City
  - Census population growth of 18% since 2011
  - Employment growth of 36% since 2011
- By 2041 City expected to grow to approximately 482,000 persons and 304,000 employees
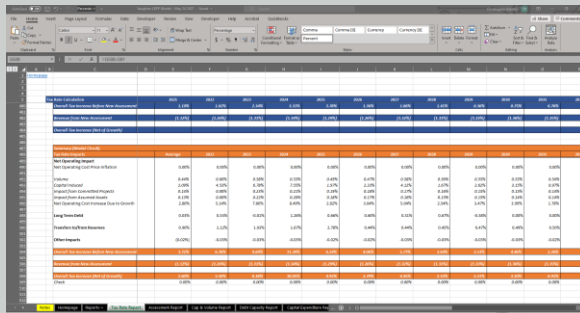
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Why is the City Developing a Long Range Fiscal Plan (LRFP)?

- City's budget process continues to evolve

- LRFP to complement the budget process by providing a long-term outlook

- As City grows, a long-term cost outlook helps identify fiscal pressures before they occur

- Evaluate fiscal effects of changes in City's financial policies

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The LRFP is Made Up of Two Key Deliverables

Fiscal Impact Model

- Forecast the future financial position of the City over the next 20 years (to 2041)
- Identify overall capital and operating needs
- Undertake sensitivity testing on key fiscal measures such as: reserve balances, debt levels, tax levy increases, etc.
- Centralized Excel based model that contains key financial data to develop long-term outlook

LRFP Report

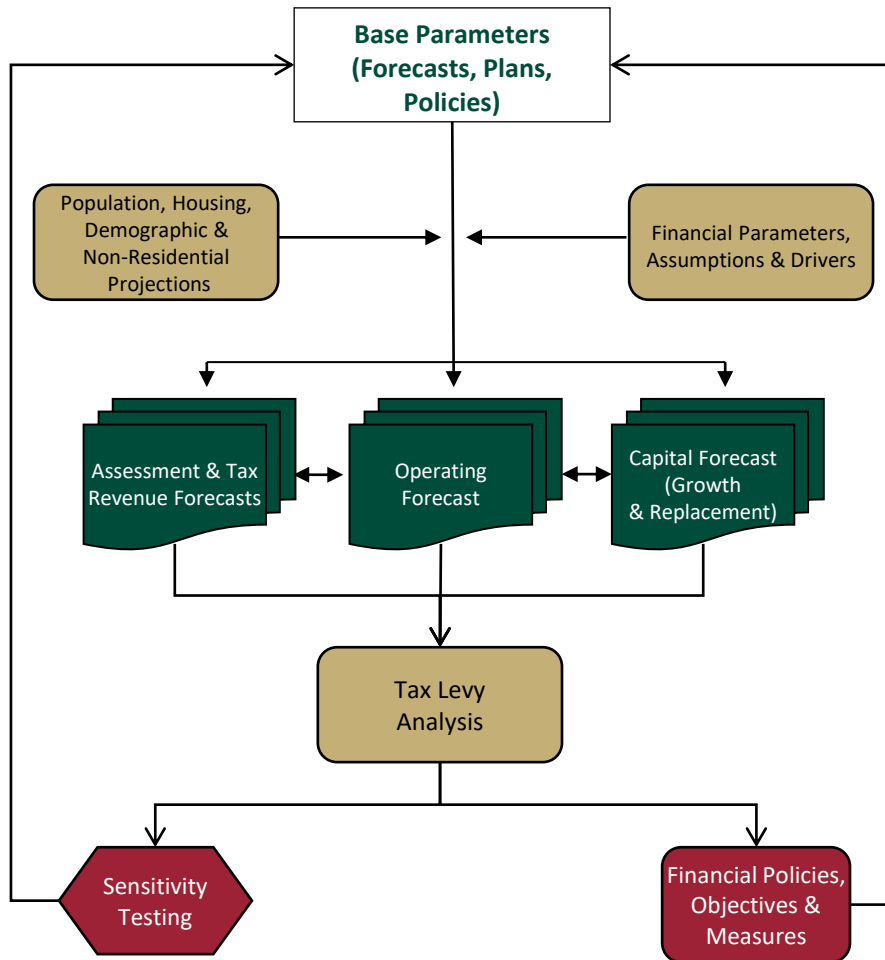- Overview of 20-year forecast (to 2041)
- Focus on financial viability, management, flexibility and sustainability
- Identification of risks, challenges and opportunities
- Key directions and policy recommendations to be presented to Council

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Fiscal Model Structure

- Operating and Capital forecast developed from various City sources including:
  - Current operating &capital budgets, 2018 DC Study, 2021 AMP and other master planning documents
- Operating cost forecasts are based on a series of volume and capital induced drivers
- Model can be adjusted to reflect changes in growth patterns, capital forecasts, reserves, debt financing, etc.

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The LRFP is a Living Document

- The City is currently undertaking a DC Study, Parkland Acquisition/CIL analysis, and CBC Strategy which will help inform both capital and revenue assumptions in the LRFP

- The City is well underway in developing AMPs to meet requirements of O. Reg. 588/17
    - AMP has been developed for core services

- As the information matures, so do the outputs of the LRFP

- Hemson working with City staff to develop plan to incorporate latest information into model

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Key Outputs the City will Consider through LRFP

Output Name	Description
Operating	• Operating cost fiscal impacts associated to maintaining levels of service • As the City grows, how much do our expenditures increase by over a longer time period?
Capital Contributions	• LRFP to develop scenarios of capital contribution levels based on findings of core and non-core asset management plans
Infrastructure Reserves	• Reserve levels can be forecasted given capital commitments • Are reserve levels adequate today and in the future to undertake City capital obligations?
Debt Levels	• Model has been developed to track City debt levels over a 20-year period • Tracks debt levels relative to City 10% limit of own source revenues
Tax Levy	• Tax levy increases that may be needed to undertake both operating and capital obligations

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Next Steps

- Hemson and staff to update model with new information (DC Study, CBC Strategy, 2022 Budget, AMP, etc)

- Develop preliminary forecasts and fiscal recommendations for tax funded services

    - Report on key outputs (reserves, debt, tax levy, etc.)

    - Develop LRFP tax report with findings and recommendations

- Develop water/wastewater/stormwater models as part of phase 2

    - Report on key outputs (reserves, debt, rate impacts, etc.)

    - Develop LRFP rate report with findings and recommendations

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Project Timeline

2019/2020	Concept Model Discussions	Initial Analysis of City's Available Data	Preliminary Excel Model Developed
Phase 1: Q2 2021/Q3 2021	Model Updated for Tax Funded Services	Preliminary Key Outputs	Preliminary Discussion with Senior Staff
Q4 2021	Develop Plan to Improve Inputs	Preliminary DC/CBC Capital Programs Expected	Update Model Based on 2022 Budget and Capital
Q2 to Q4 2022	Update Model Based on Preliminary DC/CBC Rates	Refine Tax Based LRFP/Develop Recommendations	Tax Based LRFP to Council
Phase 2	Develop Rate Based Models	Refine Rate Based LRFP/Develop Recommendations	Rate Based LRFP Progress Update to Council

Work towards incorporating recent legislative changes: DC Act, Planning Act - Parkland & new CBCs & newly developed AMPs.

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Note: Red arrow indicates the current step in the project process.

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