

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	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• LRFP to develop scenarios of capital contribution levels based on findings of core and non-core asset management plans
Infrastructure Reserves	<ul style="list-style-type: none">• Reserve levels can be forecasted given capital commitments• Are reserve levels adequate today and in the future to undertake City capital obligations?
Debt Levels	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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

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