

Special Committee of the Whole (Budget) Report

DATE: Tuesday, December 7, 2021

WARD(S): ALL

TITLE: PROPOSED 2022 BUDGET AND 2023-2026 CAPITAL PLAN
(REFERRED)

FROM:

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

ACTION: DECISION

Purpose

To forward recommendations from the Special Committee of the Whole (Budget) meeting of December 1, 2021, with respect to the proposed 2022 Budget and 2023-2026 Capital Plan, tax-levy requirements, the water and wastewater rates, and stormwater charges that allow the City to provide services and infrastructure to Vaughan households and businesses.

Report Highlights

- The objective of the 2022 Budget and 2023–2026 Capital Plan is to balance investing in the community and maintaining financial sustainability, while minimizing tax and utility rate increases.
- The proposed 2022 tax supported gross operating budget is \$333.2 million.
- The proposed total 2022 water, wastewater, and stormwater operating budget is \$179.6 million. The combined 2022 rate increase for water and wastewater is \$0.1551 per cubic meter, or 3.3 percent over the 2021 combined rate.
- The proposed property tax increase for the 2022 budget is 2.0 percent.
- The average stormwater charge increase, to help maintain the reserve, is 4.5 percent.
- The 2022 Budget includes the addition of 46.6 new FTEs.
- The proposed 2022 Capital Budget is \$271.8 million, and the 2023-2026 Capital Plan is forecasted at \$951.6 million.

Recommendations

The Special Committee of the Whole (Budget), at its meeting of December 1, 2021, recommended the following (Item 1, Report No. 57):

Recommendations of the Special Committee of the Whole (Budget) meeting of December 1, 2021:

1. That the report of the Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer, dated December 1, 2021, be referred to the December 7, 2021 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, City Treasurer and Chief Financial Officer, and Communication C2, presentation material, entitled, "*Proposed 2022 Budget and 2023-2026 Capital Plan*", be received;
3. That the comments of Angela Orsini, Empress Road, Maple, be received; and
4. That Communication C1 from Ms. Rose Savage dated November 29, 2021 be received.

Recommendations and Report of the Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer, dated December 1, 2021:

1. That the consolidated City of Vaughan's proposed 2022 Budget and 2023-2026 Capital Plan, as attached in volumes 1, 2 and 3, be received and approved, including:
 - a. Tax-supported 2022 operating budget with gross expenditures of \$333.2 million;
 - b. Net tax-levy increase of \$7.5 million;
 - c. Rate-supported water, wastewater, and stormwater operating budget of \$179.6 million; and
 - d. 2022 total Capital Budget of \$271.8 million for 263 projects;
2. That all necessary by-laws be enacted; and
3. That the Deputy City Manager, Corporate Services, City Treasurer, and Chief Financial Officer be authorized to make any necessary in-year administrative adjustments to the approved 2022 operating and capital budgets.

Background

The Financial Sustainability Guiding Principles direct 2022 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 Budget and Capital 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 are expected to continue in 2022. The City recognizes these challenges and continues to implement additional measures to support its residents and businesses during this challenging 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 Budget and Capital Plan was developed over the past several months

The timeline for budget development and approval was as follows:

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

Previous Reports/Authority

[2022 Budget Directions](#), Item 5, Report No. 39 of the Committee of the Whole, September 27, 2021

[Draft 2021 Budget and 2022 Financial Plan \(Referred\)](#), Item 1, Report No. 63 of the Special Committee of the Whole (Budget), December 15, 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 proposed 2022 Budget and 2023 - 2026 Capital Plan focuses 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 2022 Budget was to deliver on these priorities in a fiscally challenging environment while facing uncertainty 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 2022 Budget and 2023 - 2026 Capital 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 2022 includes \$333.2 million in gross expenditures, \$112.8 million in non-tax revenues, and 44.6 new FTEs.
- Total incremental increase of \$7.5 million in net expenditures.
- Forecast assessment growth for 2022 is 1.5 percent, or \$3.2 million in additional tax revenue to the City to address growth-related cost pressures.
- Proposed tax increase of 2.0 percent.
- The proposed water, wastewater and stormwater rate supported operating budget for 2022 includes \$179.6 million in revenues, \$165.0 million in expenditures, and 2.0 new FTEs:
 - The combined 2022 rate increase for water and wastewater is \$0.1551 per cubic meter, or 3.3 percent over the 2021 combined water and wastewater rate.
 - An average stormwater rate increase of 4.5 percent is included to help maintain the stormwater reserve.
 - Total forecast 2022 contributions to the water, wastewater, and stormwater reserves of \$14.6 million.

- The proposed 2022 Capital Budget is \$271.8 million, and the 2023 - 2026 Capital Plan is forecasted at \$951.6 million.

Public Engagement

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 2022 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 public meetings live by tuning into vaughan.ca/LiveCouncil on Dec. 1, 7 and 9 at 7 p.m.
- Fill out the budget feedback form at vaughan.ca/budget
- Join the conversation on social media using **#VaughanBudget2022**
- Leave a voicemail on the Budget Hotline at **905-832-8610**
- Email questions and comments to budgeting@vaughan.ca
- Have your say at a budget meeting by [speaking to Council](#)

Feedback received will be incorporated into presentations at the public meetings

In addition to informing citizens about Vaughan's 2022 Budget and 2023-2026 Capital 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](https://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 transparency and usability of the budget book. The 2022 budget book includes the addition of key performance indicators (KPI's) and other changes considered best practice by the Government Finance Officers Association (GFOA), and mandatory requirements for the Distinguished Budget Presentation Award. The 2022 budget book continues to build on the award-winning format of providing a three-volume layout for ease of navigation and transparency.

The proposed 2022 Budget and 2023-2026 Capital Plan as presented and detailed in the attached budget books, outlines the recommended operating allocations to deliver the City's programs and services for 2022, 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 reserves. Investments in the Service Excellence Strategic Priorities proposed in the 2022 Budget and 2023 - 2026 Capital Plan align with Council's priority to ensure the City maintains low to modest tax rate increases.

Financial Impact

The proposed property tax increase for the 2022 budget is 2.0 percent, or \$4.3 million

The proposed 2022 tax-supported operating budget requirement is \$217.2 million after adjusting for assessment growth of \$3.2 million, representing a net tax levy increase of \$4.3 million, or 2.0 percent from the 2021 operating budget.

The proposed 2022 tax-supported operating budget is summarized in Table 1 and Table 2 below:

Table 1: Proposed 2022 Tax-Supported Operating Budget

\$M	2021	2022
	Approved Budget	Proposed Budget
Gross Operating	317.9	333.2
Less: Non-Tax Revenue	99.2	107.4
Payment In Lieu of Taxes	2.6	2.7
Supplemental Tax	3.2	2.7
Net Levy	212.9	220.4
Incremental Levy Requirement	3.0	7.5
Revenue from Assessment Growth	3.0	3.2
Revenue from Incremental Tax Rate	0.0	4.3
Incremental Tax Rate	0.00%	2.00%

Note: Some numbers may not add up due to rounding

Table 2: Summary of Gross Operating Expenditures by Portfolio/Office

(\$ M)	2020	2021	2022
	Year-End Actuals	Approved Budget	Proposed Budget
Public Works	52.2	57.0	60.0
Vaughan Fire and Rescue	54.4	54.4	57.4
Infrastructure Development	25.1	33.1	34.5
Community Services	31.0	31.3	28.0
Planning & Growth Management	33.8	28.1	30.5
Corporate Services & Chief Financial Officer	28.2	29.9	31.5
Administrative Services & City Solicitor	17.1	18.7	21.4
Vaughan Public Libraries	17.8	21.3	22.2
Other Offices	10.1	10.8	11.8
Financial & Non-Program Items*	43.7	33.3	36.0
Total Tax Supported Gross Expenditures	313.6	317.9	333.2
Add: Water, Wastewater and Stormwater	176.4	170.9	179.6
Total Tax and Rate Supported Gross Expenditures	490.0	488.8	512.8

* includes Reserves and Debt

Other Offices include City Manager, Council, Internal Audit and Integrity Commissioner

Note: Some numbers may not add up due to rounding; historical actuals may not include program changes

Water, Wastewater, and Stormwater Operating Budgets

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 2022 budgeted rates will generate net total reserve contributions of \$14.6 million to fund water, wastewater, and stormwater-related programs and services.

The combined City of Vaughan 2022 rate increase for water and wastewater is \$0.1551 per cubic meter, or 3.3 percent, over the 2021 rates, driven by the combined approved 3.3 percent increase for wholesale water purchases and wastewater treatment from York Region. The combined rate increase will permit lifecycle contributions to reserves.

Based on the proposed rate increase for water and wastewater, the impact to the ratepayer that consumes 250 cubic meters per year will be \$38.78 annually or \$3.23 per month.

The 2022 stormwater charge will increase by an average of 4.5 percent over the 2021 charge, with an expected contribution of \$2.0 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 2022 Budget includes capital investments of \$271.8 million and forecast investments of \$951.6 million for 2023-2026

The proposed 2022 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 2022 budget includes investments of \$44.7 million for 94 new capital projects and \$227.0 million investment in 169 existing capital projects. Table 3 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	2022 Budget Amount	2023-2026 Planned amount	Total
Term of Council Priorities				
Transportation and Mobility	77	129.9	196	325.8
City Building	58	38.5	152.3	190.8
Environmental Stewardship	22	40.7	250.5	291.2
Active, Safe and Diverse Communities	85	25.7	182.7	208.4
Good Governance	5	0.5	1.3	1.7
Economic Prosperity, Investment and Social Capital	0	0.0	0.0	0.0
Sub-total	247	235.1	782.7	1,017.9
Service Excellence Strategic Initiatives				
Citizen Experience	54	12.7	65.3	78
Operational Performance	340	23.9	103.4	127.3
Staff Engagement	2	0.1	0.1	0.2
Sub-total	396	36.6	168.9	205.5
Total New Capital Budget Asks	643	271.8	951.6	1,223.4

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 2022 budget book represents the City’s share of the property tax bill. For every dollar of property tax, \$0.28 funds City services, including Vaughan Fire and Rescue Service and Vaughan Public Libraries.

The water and wastewater rate budgets include wholesale water and wastewater program purchases from York Region for 2022, representing 78 percent of the City’s combined water and wastewater costs.

Conclusion

The proposed 2022 Budget and 2023-2026 Capital 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 2022 Budget and 2023 – 2026 Capital Plan:
 - a) Draft 2022 Budget and 2023 - 2026 Capital Plan Volume 1 – Budget Overview
 - b) Draft 2022 Budget and 2023 - 2026 Capital Plan Volume 2 – Department Budgets
 - c) Draft 2022 Budget and 2023 - 2026 Capital 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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