

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JANUARY 20, 2015

Item 3, Report No. 1, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on January 20, 2015.

3 ENDING SEPTEMBER 30, 2014 – CONSOLIDATED QUARTERLY REPORT

The Finance, Administration and Audit Committee recommends:

- 1) That the recommendation contained in the following report of the Commissioner of Finance & City Treasurer, the Director of Financial Planning & Analytics and the Director of Financial Services, dated January 12, 2015, be approved;**
- 2) That staff report to the January 20, 2015, Council meeting on the following matters:**
 - 1. breakdown of costs provided for the Civic Centre demolition, parking and stormwater drainage; and**
 - 2. details of funding sources for the Black Creek Renewal Project; and**
- 3) That the presentation by the Director of Financial Planning & Analytics, the Director of Building and Facilities, the Director of Parks Development, the Director of Development / Transportation Engineering, the Director of Engineering Services and the Interim City Manager and Communication C2, presentation material entitled “*Ending September 30, 2014 – Consolidated Quarterly Report*”, be received.**

Recommendation

The Commissioner of Finance & City Treasurer, the Director of Financial Planning & Analytics and the Director of Financial Services recommend:

- 1. That the 2014 Consolidated Third Quarter Variance report be received.**

Contribution to Sustainability

Not applicable.

Economic Impact

The quarterly variance report monitors actual spending performance to the City's calendarized financial plan. There is no economic impact as budgets and projects have been previously approved by Council.

Communication Plan

Not applicable

Purpose

To report on 2014 third quarter financial results, as of September 30, 2014, including an update on grant activity. Additionally, there is continued reporting on high profile capital projects with summaries included as attachment.

This report is provided later than in previous years resulting from the modified Council schedule to accommodate the recent election and reports were therefore placed on the first Finance, Administration and Audit Committee meeting. It should be noted internal budget performance monitoring occurs on a monthly basis.

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Background – Analysis and Options

The attached third quarter variance report compares actual operating and capital results for the period ending September 30, 2014, relative to approved budgets and on the same basis as the budget. Consequently, amortization of tangible capital assets and post retirement employee benefits are excluded, while transfers to and from reserves and net debenture financing requirements are included

The quarterly results for City Operations, Water and Wastewater Operations, and Capital are presented together in one consolidated report. This action is intended to provide stakeholders with a more complete view of the City's financial results. The report provides a brief executive summary followed by summaries for City Operations, Water and Wastewater Operations, and Capital. Additional detail is provided as attachments. Analysis of the third quarter variance report provides valuable information that guides the preparation of requests for the next budget cycle.

Third Quarter Overview

Overall, the City's net financial performance continues to be unfavourable relative to the approved 2014 budget.

As at September 30, 2014, the City's expenditures exceed revenues by \$5.5M, primarily as a result of costs associated with a longer and colder winter than usual and the continued clean-up efforts relating to the December 2013 ice storm. It is important to note that municipalities may apply for reimbursement of Ice Storm costs from the Province. Claim packages are due December 31, 2014 and reimbursement could take up to two years but staff are investigating options to mitigate the impact on 2014 results. In working with the City's external auditors, it is anticipated that Ice Storm costs can be accrued at year end to better match these costs with the timing of future ODRAP funding.

However, even with this accrual, the City's year-end position is anticipated to be unfavourable, as third quarter mitigating favourable variances resulting from corporate transfer timing differences will not materialize at year-end. As mentioned, the driver of unfavourable variance relates to the severe winter of 2014. It is anticipated that the impact of this unfavourable variance will be addressed by drawing primarily on the Winterization Reserve. The extent of this position is not concretely known as events such as a shifting of trends, timing differences, or unforeseen activities in the latter part of the year could improve or erode the current position.

Winter and Ice Storm costs equate to \$12.0M in expenditures as of the third quarter, with Ice Storm costs making up \$9.0M. It is anticipated that by year end these expenditures will equate to \$10.5M, all of which will be included in a claim for reimbursement from the Province. As a result of underspending in other areas, it is anticipated that a draw of \$2.6M from the Winterization reserve will be sufficient to offset the remaining unfavourable variance resulting from Winter activity. The current reserve balance is \$4.4M and the forecasted draw of \$2.6M represents a 60% draw from the reserve.

The City's combined Water and Wastewater operations resulted in a \$1.7M favourable variance. Sales revenues experienced a decline in the third quarter due to lower consumption levels compared to budget. However, new account activity for both residential and commercial is higher than anticipated. Favourable contributing factors are primarily due to lower than expected service requests for installations and repairs in contractor labour and materials due to lower demand and shift in priorities due to the harsh winter conditions, earlier in the year. Additional favourable expenses from general administration is due to timing of discretionary expenses and cost savings related to positions not yet filled.

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The overall capital position was on target. The majority of closed projects were completed on or below approved budget. Other than the above noted draw from the Winterization reserve, all other transfers from reserves are currently expected to remain as budgeted.

Table 1 below summarizes and illustrates the City's financial results, which is followed by a brief summary for each area.

Table 1 - Summary of the City's Q3 2014 Financial Results

Operations (\$M)				
	City	Water	Wastewater/ Storm	Total
Revenue				
YTD Budget	217.9	39.3	45.0	302.2
YTD Actual	217.2	36.6	42.1	295.9
Variance	(0.7)	(2.7)	(2.9)	(6.3)
%	-0.31%	-6.87%	-6.44%	-2.08%
Expenditure				
YTD Budget	188.1	36.1	42.1	266.3
YTD Actual	192.9	33.0	37.9	263.8
Variance	(4.8)	3.1	4.2	2.5
%	-2.56%	8.59%	9.98%	0.93%
Net fav. / (unfav.) variance	(5.5)	0.4	1.3	(3.8)
Add'l Resv. Contributions	0.0	0.4	1.3	1.7
Surplus/ (Deficit)	(5.5)	0.0	0.0	(5.5)

Table 1

Capital (\$M)

	Prior Years			2014					2014 Adjusted	
	Total Available Budget	Total Actual Spend	Variance Q4-13	2014 Budget	Available Budget (A)	Actual Spend	Variance Q3-14		Major Y/E 2013 Accrual Reversals (B)	Adjusted Variance Q3-14 (C)
							\$	%		
2014 Budget Projects - Closed	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0%	0.0	0.0
2014 Budget Projects - Active	0.0	0.0	0.0	34.3	34.3	0.1	34.1	100%	0.0	34.1
Total 2014 Budget Projects	0.0	0.0	0.0	34.3	34.3	0.1	34.1	100%	0.0	34.1
Prior Budget Projects - Closed	50.9	41.4	9.5	0.0	9.5	4.5	5.0	53%	0.0	5.0
Prior Budget Projects - Active	538.5	394.9	143.5	28.1	171.6	18.0	153.7	90%	17.5	171.1
Total Prior Budget Projects	589.4	436.3	153.1	28.1	181.1	22.5	158.7	88%	17.5	176.1
Total	589.4	436.3	153.1	62.4	215.4	22.6	192.8	90%	17.5	210.3

Note: A) Above available budget balance includes in-year budget amendments

B) Y/E 2013 audit accrual reversals illustrated separately to focus on actual unspent values

C) Combined Active Adjusted Variance equals the Variance on Attachment 3, and combined Closed Adjusted Variance equals the Variance on Attachment 6

General Note: Capital project timing can span multiple years. The above chart aims to illustrate this occurrence and presents activity related to prior budgets separately.

City Operating Budget Results

The annual Operating Budget for the City is \$254.0M; \$217.9M in revenues and \$188.1M in expenditures were budgeted for year to date as of the third quarter. At the end of the third quarter, the City experienced a \$5.5M net unfavourable variance. This unfavourable variance is a result of year to date revenues ending at \$0.7M less than budgeted and year to date expenditures ending at \$4.8M greater than budgeted. The main areas that contributed to this negative \$5.5M variance are summarized below;

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City Revenue Variance Overview

Non-Taxation Revenue	Budget	Actual	Fav. / (Unfav)	% Variance
Supplemental Taxation	0.9	0.0	(0.9)	-99.1%
Grant / Payment In Lieu	2.5	2.4	(0.1)	-2.0%
Reserves And Other Transfers	10.6	10.7	0.2	1.6%
Fees And Service Charges	30.0	29.9	(0.2)	-0.5%
Corporate	13.6	13.9	0.2	1.6%
Total	57.6	56.9	(0.7)	-1.2%

Actual revenues were \$217.2M as of September 30, 2014, \$160.3M in taxation revenues and \$56.9M in non-taxation revenues. Taxation revenues are on target, but non-taxation revenues contribute \$0.7M to the City's overall unfavourable position. This variance stems from the following:

- **Supplemental Taxation** – this revenue is calendarized over the last four months of the year. The \$0.9M unfavourable variance resulted from revenues not received as anticipated; further only 83% of the budgeted revenue, \$2.9M, is expected to be received by year end.
 - **Reserves & Other Transfers** – are \$0.2M more than budgeted as a result of:
 - \$2.2M of planned withdrawals that were not required for Engineering Services, Building Standards Service Continuity Reserve and DC Growth projects as a result of lower than expected department expenditures
 - A \$0.3M lower Administration Recovery from Capital as a result of a reversal of 2013 year end accruals
 - A \$2.6M transfer from the Insurance Reserve as a result of a settlement payment has reduced the above position, but is fully offset by increased insurance expenditures in the City Clerk Department
- **User Fees/Services Charges** – are \$0.2M less than budget as a result of varying and offsetting variances within By-law & Compliance, Development Planning, Building Standards, Development Transportation Engineering, Fire & Rescue Services, Licensing, Recreation, and Buildings & Facilities. All these variances are explained in more detail in Attachment #2.
- **Corporate Revenue** – A favourable variance of \$0.2M is made up of smaller favourable variances in a number of Corporate Revenue accounts. Details on these variances are provided in Attachment #2.

City Expenditure Variance Overview

Expenditures	Budget	Actual	Fav. / (Unfav)	% Variance
Departmental	161.4	156.7	4.7	2.9%
Reserve Contrib. & Corp. Exp.	11.0	20.3	(9.3)	-84.0%
Long Term Debt	9.5	9.6	(0.1)	-1.5%
Contingency	(0.1)	(0.0)	(0.1)	92.2%
Capital From Taxation	6.4	6.4	0.0	0.0%
Total	188.1	192.9	(4.8)	-2.6%

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Actual total expenditures were \$192.9M as of September 30, 2014 were \$4.8M higher than the year-to-date expenditure budget of \$188.1M. This variance stems from the following:

- **Department Expenditures** – Department expenditures, which exclude Ice Storm related costs, were \$4.7M less than budget as a results of:
 - Labour costs that were \$6.7M less than budget attributable to general turnover vacancies, new complement vacancies that have not yet been filled, and year-end payroll accrual reversals due to past year payment timing that will self-correct at year-end. A level of labour variance is planned for corporately, though actual City performance was significantly greater than the \$3.5M Q3 planned labour variance due to unplanned vacancies in departments.
 - Additional savings totalling \$1.5M in General Maintenance, YRT Ticket Purchases, Protective Clothing, Computer Hardware and Software, Professional Fees, Communications and Training and Development.
- **Reserve Transfers and Corporate Expenditures**, – Overall, transfers to reserves and corporate expenditures were \$9.3M more than budgeted due to:
 - **Ice Storm 2013** – The costs related to the December 2013 Ice Storm clean-up were unbudgeted. These amounts are being tracked in a separate business unit to facilitate preparation of the City's claim under the provincial Ice Storm Assistance Program. The Province has advised municipalities that an Ice Storm claim submission is due December 31 2014. Municipalities have also been informed that the time from submission to re-imbursement will be lengthy; it could take up to two years for the review process and re-imbursement to be received. In working with the City's external auditors, it is anticipated that Ice Storm costs can be accrued at year end to better match these costs with the timing of future ODRAP funding. This will eliminate this variance at year-end.
 - **Anticipated Labour Savings** – As mentioned in the previous section, Corporate savings of \$3.5M were budgeted to account for anticipated labour savings due to normal vacancies in departments. The actual savings to date of \$6.7M have been accounted for in the departments
 - **OMB and VMC projects** – These two projects have not yet been fully staffed resulting in a combined favourable variance to budget of \$2.4M. Recruitment is currently underway to fill these roles. Residual balances at year-end will be carried forward into future years. Therefor this variance will not materialize at the end of the year to offset the above Ice Storm costs.

Variance Summary:

For quick reference purposes, a summary of the variances by major category is provided below. A more detailed financial summary is provided as Attachment #1. Further explanations on specific variances are provided as Attachment #2.

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**City of Vaughan
2014 OPERATING BUDGET
THIRD QUARTER VARIANCE REPORT**

		Variance ('000,000)	
<u>Revenues</u>			
Reserves and Other Transfers			
Insurance	2.6		
DC Growth Projects	(0.3)		
Admin Recovery from Capital	(0.3)		
Building Std Continuity Reserve	(0.8)		
Engineering Reserve	(1.1)	0.2	
Fees & Service Charges			
Recreation	0.4		
Clerks - Licensing	0.3		
Fire And Rescue Services	0.2		
Culture	0.2		
Buildings & Facilities	0.1		
Development & Transportation Eng.	(0.2)		
By-law & Compliance	(0.2)		
Development Planning	(0.4)		
Building Standards	(0.8)		
Other (under \$100K var.)	0.2	(0.2)	
Corporate Revenue		0.2	
Supplemental Taxation		(0.9)	
Other (Grants/PIL)		(0.1)	
Total Revenues			(0.7)
<u>Expenditures</u>			
Departmental Expenses			
Building & Facilities	1.7		
Building Standards	1.1		
Development & Transport. Engineering	1.0		
Recreation	0.8		
Information Technology Management	0.6		
Engineering Services	0.6		
Development Planning	0.5		
By-Law & Compliance	0.5		
Fire and Rescue	0.5		
Vaughan Public Libraries	0.4		
Financial Planning & Analytics	0.4		
Fleet Management	0.3		
Policy Planning	0.3		
Council	0.3		
Clerks - Insurance	(2.6)		
Public Works	(3.1)		
Other-(various departments under \$200k var.)	1.6	4.7	
Corporate Expenditures			
Major OMB Hearing	1.3		
VMC Development & Implementation	1.1		
Election	0.4		
Tax Adjustments	0.3		
Anticipated Labour Savings	(3.5)		
Ice Storm 2013	(9.0)		
Other (under \$100K var.)	0.2	(9.3)	
Long Term Debt		(0.1)	
Contingency		(0.1)	
Total Expenditures			(4.8)
Net Variance			\$ (5.5)

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Water and Wastewater/Storm Operating Budget Results

Following are the third quarter financial operating results and analysis for both the water and wastewater/storm operations.

The water/wastewater system in York Region operates as a two-tier system. The Region of York is responsible for the supply of water and wastewater services and the lower tier municipalities are responsible for the water and wastewater distribution systems within the local municipality. The net revenues that are generated annually by the City of Vaughan from the operations of the water and wastewater/storm utilities fund costs associated with the purchase of water supply and wastewater services from the Region of York, as well as the City's administration, financing costs, system operational and maintenance costs and most importantly funding to build the reserves for future infrastructure renewal.

Water Operations

Year to date actual water revenues for the period ending September 30, 2014 are unfavourable by \$2.7M which is comprised of unfavourable residential \$2.4M revenue, commercial revenue of \$186K and miscellaneous water revenue \$99K.

The residential consumption per household is lower by 10% compared to budget attributing to lower than expected billing revenue. New account activations are favourable year to date and are on target to achieve the budget of 1% growth.

Commercial consumption activity is trending slightly lower than budget, attributing to slightly unfavourable revenue, however new account activity has exceeded budgeted growth expectations into the third quarter.

Overall water purchases are favourable by \$2.0M, which is consistent with the lower sales demands at \$2.1M offset by slightly unfavourable non-revenue water (NRW) consumption of \$84K.

The Gross Margin indicates the net funding available to the City after the Region of York has been paid for the water supply and is unfavourable by \$637K or 6%.

Other revenues consist primarily of installation and service fees and are slightly favourable by \$15K. Favourable meter installations are offset by lower than budgeted service connections and are based on demand.

Water operating expenses are favourable by \$1.0M which is the result of favourable maintenance and installation costs of \$718K and favourable general administration of \$291K. The favourable variances are largely due to lower than expected service requests in areas such as water connections, meter and valve repairs and valve exercising which is partially offset by higher than expected activities for contractor labour and materials for watermain and water service repairs due to the harsh winter conditions experienced in the first quarter.

General administration expenses are favourable due to the timing of discretionary spending for professional fees and costs related to new positions and vacancies not yet filled, but anticipated for Q1 2015.

As a result of the above, the year to date water lifecycle contribution of \$3.5M is favourable by \$393K.

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**City of Vaughan
Statement of Operations
Water Division
For the period ending September 30, 2014**

	2014 Budget	2014 YTD Budget	2014 Actual	2014 Variance
Water Revenues				
Residential Billings	31.4	24.0	21.6	(2.4)
Commercial Billings	19.1	14.2	14.0	(0.2)
Other	0.3	0.3	0.2	(0.1)
	50.8	38.5	35.8	(2.7)
Water Purchases				
Metered Water Purchases	31.4	24.2	22.1	2.1
Unmetered Water	4.7	4.4	4.5	(0.1)
	36.1	28.7	26.6	2.1
Gross Margin	\$14.7	\$9.8	\$9.2	(0.6)
Other Revenues	\$1.0	\$0.8	\$0.8	\$0.0
Expenses				
Maintenance and Installation Cost	5.0	3.7	3.0	0.7
General Administration	4.2	3.1	2.9	0.3
Joint Service Costs	0.8	0.6	0.6	0.0
	10.0	7.4	6.4	1.0
Net Water Operations	5.7	3.1	3.5	0.4
Budgeted Lifecycle Contribution	5.7	3.1	3.1	0.0
Additional Reserve Contribution	0.0	0.0	0.4	0.4
Surplus	0.0	0.0	0.0	0.0

Wastewater/Storm Operations

Wastewater year to date billing is based on water consumption, therefore trending is very similar to water revenues. Wastewater billings are unfavourable by \$2.8M or 6.3% for the period ending September 30, 2014 comprised of residential billings \$2.8M offset by slightly favourable commercial revenue at \$45K. Wastewater revenue is billed based on water consumption.

The favourable treatment variance of \$2.7M or 7.5% is a combination of favourable treatment charges relative to lower than expected sales and slightly unfavourable non-revenue treatment charges. This relates directly to the non-revenue water variance.

The very slight unfavourable gross margin of \$104K or 1% is the result of unfavourable sales, primarily residential revenue at \$2.8M and favourable treatment charges.

Other revenues are unfavourable by \$111K consisting of installation and service fees, which are unfavourable by \$75K and are based on demand. Local improvement billings are unfavourable by \$39K which will clear by the end of the year.

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Operating expenses are favourable by \$1.5M or 24% primarily due to maintenance and installation at \$605K and storm operations at \$489K attributed by lower than expected contractor labour and materials related to emergency repairs, service connections, flushing and cleaning activities. General administration is favourable by \$424K due to the timing of discretionary spending specific to lift stations which will clear by yearend, professional fees and costs related to new positions and vacancies not yet filled.

As a result of the above, the wastewater/storm lifecycle contribution of \$4.2M is favourable by \$1.3M.

**City of Vaughan
Statement of Operations
Wastewater Division
For the period ending September 30, 2014**

	2014 Budget	2014 YTD Budget	2014 Actual	2014 Variance
Wastewater Revenues				
Residential Billings	36.2	27.7	24.8	(2.8)
Commercial Billings	22.5	16.6	16.7	0.0
	58.7	44.3	41.5	(2.8)
Wastewater Expenses				
Regional Treatment Charges	45.2	35.9	33.2	2.7
Gross Margin	13.5	8.4	8.3	(0.1)
Other Revenues	0.9	0.7	0.6	(0.1)
Expenses				
Maintenance and Installation	3.5	2.6	2.0	0.6
General Administration	2.6	1.9	1.5	0.4
Storm Sewer Maintenance	1.8	1.3	0.8	0.5
Joint Services	0.5	0.4	0.4	0.0
	8.4	6.2	4.7	1.5
Net Wastewater Operations	6.0	2.9	4.2	1.3
Budgeted Lifecycle Contribution	6.0	2.9	2.9	0.0
Additional Reserve Contribution	0.0	0.0	1.3	1.3
Surplus	0.0	0.0	0.0	0.0

Capital Budget Results

Overall, the Capital Budget performance is favourable, with the majority of projects coming in under assigned budget. This section is intended to provide an update on quarterly activity for the following:

- Open Capital Project Spend Performance
- High Profile Capital Projects (NEW)

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- Closed Capital Projects Budget vs. Actual
- Reserve and Reserve Fund positions
- Grant Activity

Open Capital Project Spend Report (Attachment #3)

Budget Year	# of Projects				Budget		Unspent Funds	
	Q2 Open	Closed	New	Q3 Open	\$M	%	\$M	%
2014	197	-4	4	197	34.28	6%	34.14	100%
2013	143	-14		129	63.25	11%	43.17	68%
2009-2012	221	-16		205	242.81	40%	105.49	43%
2006-2008	45	-3		42	66.65	11%	15.60	23%
2005 and older	17			17	193.80	32%	6.86	4%
Grand Total	623	-37	4	590	600.80	100%	205.25	34%

At the end of the third quarter, there were 590 open capital projects with a \$205.25M remaining balance in the projects. There are 264 projects that have been open since 2012 or earlier; but 155 or 58% of these projects are considered inactive for the following reasons:

- DC repayment – agreements are in place whereby payment is dependent on development charge collection timing
- External Invoice – waiting to receive final invoices to be received and paid
- Regional Invoice – waiting to receive and pay final invoices from the Region
- Maintenance/Warranty – project is complete but is on a maintenance or warranty period; project will be closed at the end of the maintenance or warranty period
- On Hold – project may be on hold
- Completed – works are completed and the project will be closed in the following quarter

The breakdown of the classification of the 155 open inactive projects is as follows:

Classification	#	\$M
DC Repayment	28	26.62
Regional Invoice	8	11.08
Maintenance	25	6.56
External Invoice	38	3.26
Warranty	24	2.57
Completed	28	1.62
On Hold	4	0.72
Grand Total	155	52.44

A further 34 projects are annual projects for which new funds are approved each budget cycle, with the approved funds added to the existing project number. The table below provides a further breakdown of open capital projects:

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Year	Q3 Open		Inactive		Annual		Active	
	#	\$M	#	\$M	#	\$M	#	\$M
2014	197	34.14	7	5.13	2	0.16	188	28.85
2013	129	43.17	42	5.59	8	2.22	79	35.36
2009-2012	205	105.49	70	25.81	19	8.24	116	71.43
2006-2008	42	15.60	26	12.06	4	0.44	12	3.09
2005 and older	17	6.86	10	3.84	1	0.02	6	2.99
Total	590	205.25	155	52.44	34	11.09	401	141.72

As of the end of the third quarter, of the 590 open projects, 155 projects with a project balance of \$52.44M are inactive, leaving 435 annual and active projects with a project balance of \$152.81M.

New Capital Projects

During the third quarter, Council approved four new projects to the 2014 Capital Budget:

- As a result of receiving confirmation to redirect grant funds to capital project PK-6265-14 Maple Reservoir Park – Senior Soccer Field Lighting (FA&A Rpt 9 Item 6), Council approved the reallocation of the freed up funds to the following 2015 recognized capital projects:
 1. BF-8353-14 – Splash Pad Automation - \$46,400
 2. RE-9521-14 – Retrofit to Energy Efficient Lighting at Maple Community Centre - \$25,800
 3. RE-9522-14 – Public Display Units at City Hall & Maple Community Centre - \$67,000
 4. BF-8497-14 – Station 7-7 Emergency Driveway Repairs - \$46,400 – emergency driveway repair for Fire Station 7-7 entrance

Budget Amendments

During the third quarter, Council approved three capital budget amendments:

1. DT-7033-09 – Storm Drainage & Storm Water Master Plan - \$29,100 – funded from City-Wide Development Charges – Engineering – to correct the contingency allowance as approved by Council (CoW Rpt 25 Item 2).
2. LI-4519-09 – Civic Centre Library – Construction - \$35,366 – administrative correction to the budget amendment approved in June 23 2014 (CoW Rpt 30 Item 42 C18).
3. PL-9025-11 – Natural Heritage Network - \$18,072 – funded from City-Wide Development Charges – Management Studies and 2014 Policy Planning Operating Budget – Professional Fees – for additional tasks required to take this study through to the approval of the City-adopted amendments to VOP 2010 (CoW Rpt 36 Item 11)

Attachment #3 provides the budget to actual financial status with managing departments' comments for each open capital project. It is important to note this information is compiled as of September 30, 2014 and the reader is cautioned on the following:

- A completed capital project will remain active or open until all invoices are paid and funding is complete. Projects are not closed until approved by the department. As a result, projects that are substantially funded will reside on the Open Capital Project Spend Report. It is important to note this report represents projects from current and prior budget years and total balances are the combined value.

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- Projects that are debenture financed, as approved by Council, are not closed until debenture financing is acquired through the Region of York. Furthermore, project financing is not typically requested until the project is substantially complete, which is contingent on a timeframe to determine outstanding invoices and settlement issues. In the case of Engineering Projects, this may take up to several years.
- Capital work is continuously underway and current information will vary from this report.

High Profile Capital Projects

Section 10.2 High Profile Capital Project Reporting of the City's Capital Project Financial Administration and Reporting Policy states that as part of the quarterly report, each identified high profile capital project will require an additional status report with comprehensive details submitted by the appropriate department.

High Profile Projects are selected based on one of the following criteria:

- A total capital project budget value equal to or greater than \$5 million
- A contingency level of 20% or more
- Identified as a high visibility or sensitive project by SMT or Council

The following projects were selected for reporting and status reports are provided as Attachment #4:

Project Title	Total	>\$5M	=>20%
Lead Department: Building & Facilities			
Civic Centre Resource Library - Construction	12,857,400	X	
Civic Centre - Demolition, Parking and Storm Drainage	23,040,100	X	
North Thornhill Branch Library (Block 10)	4,220,550		
Station 7-3 Relocation	9,537,975	X	
Lead Department: City Manager			
Vaughan Hospital Precinct Development	80,000,000	X	
Lead Department: Development Transportation Engineering			
Black Creek Renewal	47,289,313	X	X
Vaughan Metropolitan Centre NE Storm Water Management Pond	6,912,666	X	X
Millway Avenue Widening & Realignment	6,769,800	X	
Lead Department: Engineering			
Corporate Asset Management	2,635,720		
Lead Department: Parks Development			
Maple Valley Plan	21,807,323	X	

Financial Planning & Analytics Staff worked with the identified Lead Departments to complete the reports for third quarter reporting. The Lead Department for a project may change dependant on the stage of the project. As with any new process, changes are expected as experience is gained and the process evolves.

Capital projects closed during the Third Quarter

Staff together with City departments reviewed all active capital projects listed as of September 30, 2014 to determine which capital projects could be consolidated and/or closed. Overall, 37 capital projects totalling a budget of \$7.9M were closed in the third quarter of 2014. Total actual project costs came in at 87% of budget, freeing up \$1.0M in the original funding sources for future project consideration. The drivers behind the \$1.0M are as follows:

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Department	Budget	Actual	Remaining	%Spend	# Projects
Building & Facilities	973,820	770,164	203,656	79.1%	14
By-law & Compliance	77,250	62,729	14,521	81.2%	1
Corporate Communications	74,600	75,361	(761)	101.0%	1
Development Finance	30,900	0	30,900	0.0%	1
Development Planning	272,700	132,146	140,555	48.5%	3
Development Transportation Engineering	740,100	405,305	334,795	54.8%	2
Engineering Services	150,000	126,777	23,223	84.5%	2
Fire & Rescue Services	4,717,475	4,643,753	73,722	98.4%	2
Fleet	30,900	27,426	3,474	88.8%	1
Library	202,500	165,721	36,779	81.8%	2
Parks Development	204,000	159,322	44,678	78.1%	4
Parks Operations	305,200	287,813	17,387	94.3%	2
Public Works	141,625	49,408	92,217	34.9%	2
Grand Total	7,921,070	6,905,925	1,015,146	87.2%	37

Some explanations for the larger variances are as follows:

- Building & Facilities – department reviewed open projects and closed older projects for which work was completed and no further work was required
- Development Finance – a software solution leveraging annual license fees that could be accommodated within the Department's operating budget was found and therefore the capital project was closed and funds returned to the initial source.
- Development Planning – a project was closed for which grant funding had been received; another project completed under anticipated costs
- Development Transportation Engineering – a project was closed as funds are no longer required
- Public Works – department decided not to proceed with two projects

A complete list of closed capital projects is provided as Attachment #6.

Continuity Schedule of Reserves and Reserve Funds

A continuity schedule of reserves and reserve funds as at June 30, 2014 is provided as Attachment #7. This schedule provides information on the individual and aggregate reserve balances. It also provides information on outstanding financial commitments and payment estimates required in future periods to fund approved projects. Forecasting commitments is intended to provide a proactive view of the potential year end reserve position. Year-end positions may differ due to the fact that commitments are not actually charged to reserves until the actual expenditures have occurred.

Reserve positions before commitments are all in a positive position, with the exception of development charge management studies and fire and Uplands reserve. Adding commitments to the schedule reveals that 8 reserves could be in a negative position by year end. Below is a brief description for positioning of these 8 reserves:

Sale of Public Lands – Future obligations are currently greater than the balance on hand. Dedicated surplus land is authorized for sale to cover this obligation but is pending.

Uplands Capital Improvement – A commitment to replace the uplands chairlift was approved in 2011 by Council. As a result, the future position of this reserve will be negative and is planned to be replenished over time through Uplands revenue received.

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Library Material Reserve - Future obligations are currently greater than the balance on hand. This will be corrected for year end.

CWDC Fire – A Council commitment to move forward with fire station 7-10 and the increase in land value for Station 7-3 has placed this reserve into a negative position. It is anticipated that this will be replenished through future growth based development charges. This position may impact the timing of future projects.

CWDC Management Studies – Due to timing of events, this reserve is permitted to be in a deficit position. Growth related studies are incurred in advance of growth and recovered through subsequent development charges.

Special Charges and Area Development Charges (Developer Build Reserves) – These reserves relate to projects generally built by developers. Essentially, the developer has agreed to develop a structure, which will be funded by the City once funds are collected and available. Although, the continuity schedule illustrates a negative position after commitments, these reserves will never be in a deficit cash position as payments will only occur when funds are on hand. Reserves with a negative balance after commitments in this category are as follows:

- | | |
|-----------------------------|--------------------------------|
| ▪ D15 PD#5 Woodbridge Water | ▪ D19 PD#6 E. Rutherford Water |
| ▪ D18 PD#6 Maj., Mac Water | |

Grants Update

The following report provides an overview of the grant portfolio's 2014 Third Quarter results with respect to:

- Annual Government Grant Programs
- New Opportunities

Annual Grants Program Submissions Status regarding: Awarded, Pending Award Notification or Declined

Grant activity in the third quarter was related to 13 programs equating to approximately \$4.6 Million dollars. Specific award status and details are as follows:

- 6 submissions have received funding (\$4.2M)
- 7 submissions are pending notification of award (\$0.4M)

The following table provides a summary of the third quarter application activity:

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2014 Third Quarter Grant Program Activity

Submissions Awarded/Fund Received

Program	Total Project Cost	Award	Use Of Funds
2014 Federal Gas Tax	8,347,674	4,173,837	1st Installment per execution of new agreement
Swim to Survive (YRDSB)	5,217	5,217	City's portion to cover instructor fees
Swim to Survive (YCDSB)	3,608	3,608	City's portion to cover instructor fees
Ontario Sports and Recreation Fund	29,580	11,068	Recreation Leadership Training Program
FCM	22,500	16,088	CAP re GHG reduction – hire consultant (1 st payment)
CAP TO MEP – Energy Plan (GHG reduction)	109,880	2,742	Ministry of Energy (2,742 received Sept 2014)
TOTAL		4,212,560	

Q3 Submission Pending Award Notification

Program	Total Project Cost	Request	Use Of Funds
Embedded Energy Manager Program	85,000	85,000	Ministry of Energy to hire an Energy Manager
CAP TO MEP – Energy Plan (GHG reduction)	54,940	52,198	Ministry of Energy (2,742 received Sept 2014)
100 Resilient Cities Challenge	90,000	90,000	Hire a Resiliency Coordinator for Emergency Services
National Trail Commission	172,500	57,000	Bartley Smith Trail
Measuring Sustainability	22,500	22,500	FCM Sustainable Measures: Reimbursement from matrix of measures for new development
VBEC	90,000	90,000	Ministry of Economic Development annual funding
Tree Planting	5,000	1,274	York Region Planting Program
TOTAL		397,972	

New Opportunities

Ontario Disaster Relief Program:

Ice storm claim package to be submitted by December 31, 2014, approximate value of \$11m

Canadian Heritage:

Funding has been made available for Pan Am / Para Pan Games Torch Relay. The application will be submitted in November.

Celebrate Ontario:

Recreation – Events team plan to submit an application in December. This is grant helps fund the City's Canada Day celebration even.

Invest Canada Community Initiative (ICCI):

Program administered by the Department of Foreign Affairs and International Trade to provide up to 50% of the total eligible costs associated with foreign direct investment initiatives. An application will be submitted in November.

Green Municipal Fund:

Open for projects which are municipal water related initiatives. An application is planned for Q1 of the new year. (<http://www.fcm.ca/home/programs/green-municipal-fund/what-we-fund/projects/water-funding.htm>).

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New Building Canada Fund (NBCF):

The program criteria and application process has not been released by the Provincial Government to date. Staff continues to monitor the website for the release of information (www.gov.on.ca/en/infrastructure/bcf.asp).

Relationship to Vaughan Vision 2020 / Strategic Plan

The report is consistent with the priorities set by Council and the necessary resources have been allocated and approved.

Regional Implications

None

Conclusion

Based on the 2014 third quarter results, the overall City position is unfavourable \$5.5M. This unfavourable result is attributable to the severe winter and the December 2013 ice Storm costs which were completely out of the City's control. The City was informed by the Provincial Government the application deadline is December 31, 2014. The delay in the application process will have a significant impact on the final 2014 City's financial position. In working with the City's external auditors, it is anticipated that Ice Storm costs can be accrued at year end to better match these costs with the timing of future ODRAP funding.

However, even with this accrual, the City's year-end position is anticipated to be unfavourable, as third quarter mitigating favourable variances resulting from corporate transfer timing differences will not materialize at year-end. As mentioned, the driver of unfavourable variance relates to the severe winter of 2014. It is anticipated that the impact of this unfavourable variance will be addressed by drawing primarily on the Winterization Reserve. The extent of this position is not concretely known as events such as a shifting of trends, timing differences, or unforeseen activities in the latter part of the year could improve or erode the current position. Staff will continue to monitor in the City's financial landscape.

Attachments

- Attachment 1: City Operating – Third Quarter Variance Report
- Attachment 2: City Operating – Q3 Specific Variance Explanations
- Attachment 3: Open Capital Project Spend Report as at September 30, 2014
- Attachment 4: High Profile Capital Project Reports
- Attachment 5: Projects on maintenance, warranty or awaiting regional invoicing
- Attachment 6: Closed Capital Projects Report for Quarter Ending September 30, 2014
- Attachment 7: Continuity Schedule of Reserves & Reserve Funds as at September 30, 2014

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(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)